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» 1990 Annual Financial Report

124th Edition – October 31, 1990

» Contents

Introduction	1
Financial Highlights	1
Annual Statement	
Consolidated Statement of Assets and Liabilities	2
Consolidated Statement of Income	3
Consolidated Statement of Changes in Shareholders' Equity	4
Consolidated Statement of Changes in Financial Position	4
Financial Reporting Responsibility of Management	5
Audit Committee's Report to Shareholders	5
Auditors' Report to Shareholders	5
Notes to the Consolidated Financial Statements	6
Condensed Financial Statements of Certain Subsidiaries	17
Subsidiaries and Other Corporations	19
Management's Discussion and Analysis of Operating Results and Financial Condition	
Overview of 1990 and 1989 Results	22
A Perspective on the Economic Environment	23
Interest Income	24
Net Interest Income and Margin	25
Provision for Loan Losses	27
Other Income	28
Non-Interest Expenses	29
Taxes	30
Risk Management	31
Credit Risk Management	31
Credit Process	31
Diversification of Assets	33
Country Lending	33
Liquidity Risk Management	34
Foreign Exchange Risk Management	34
Interest Rate Risk Management	35
Financial Condition	36
Loans	36
Non-Performing Loans	38
Securities	39
Deposits	40
Capital	41
Off Balance Sheet Activities	42
Changes in Financial Regulations	42
Description of Terms	
Credit Related Arrangements	43
Foreign Exchange and Interest Rate Related Contracts	43
Quarterly Highlights	
Condensed Consolidated Statement of Income	45
Financial Statistics	45
Quarterly Perspective	45
Ten-Year Statistical Review	
Consolidated Statement of Income	46
Consolidated Statement of Assets and Liabilities	47
Consolidated Statement of Changes in Shareholders' Equity	48
Financial Statistics	49
Other Statistics	49
Financial Ratios	50
Annual Perspective	50
Shareholder and Investor Information	51

» Introduction

We're doing something new! » You will notice that the financial section of CIBC's annual report has been expanded. The 1990 annual financial report starts with the annual statement on page 2 and is followed by management's discussion and analysis of CIBC's operating results and financial condition (MD&A) on page 22. A short glossary of financial terms begins on page 43, the quarterly highlights are on page 45, the ten-year statistical review starts on page 46, and certain shareholder and investor information is on pages 51 and 52. » The new format and content of this 1990 annual financial report are designed to meet regulatory reporting requirements and also to improve communication between CIBC management and its shareholders and investors. » The MD&A, which accompanies but does not form part of the annual statement, is supplemental analysis and explanation. In the MD&A, we explain in narrative form with the aid of tabular data, the financial results of CIBC's operations, its financial condition and future prospects. It gives you the chance to look at CIBC through the eyes of management by providing both an historical and prospective analysis of our business.

Financial Highlights

For the year	1988	1989	1990
(\$ millions)			
Net income	\$ 591	\$ 450	\$ 802
Preferred dividends	44	55	93
Net income applicable to common shares	\$ 547	\$ 395	\$ 709
Return on assets	0.65%	0.46%	0.74%
Return on common equity	14.5 %	9.3 %	15.8 %
Per common share			
Earnings	\$ 3.34	\$ 2.28	\$ 4.03
Dividends	1.14	1.24	1.32
Common share price			
– high	25.875	32.500	33.625
– low	16.875	22.750	21.625
– close, at year-end	25.125	31.625	22.250
Book value at year-end	\$23.35	\$24.31	\$26.90

» Annual Statement

Consolidated Statement of Assets and Liabilities

as at October 31, 1990

(in thousands of dollars)

	1989	1990
Assets		
Cash Resources		
Cash and deposits with Bank of Canada	\$ 1,291,639	\$ 1,742,670
Deposits with other banks	4,819,461	5,008,687
	6,111,100	6,751,357
Securities (Note 2)		
Issued or guaranteed by Canada	4,022,418	4,042,210
Issued or guaranteed by provinces and municipal or school corporations	542,757	588,395
Other securities	5,057,882	5,771,362
	9,623,057	10,401,967
Loans (Note 3)		
Day, call and short loans to investment dealers and brokers, secured	206,030	364,300
Loans to banks	258,247	222,130
Mortgage loans	22,349,433	26,621,096
Other loans	49,717,951	56,123,100
	72,531,661	83,330,626
Other		
Customers' liability under acceptances	8,063,539	9,180,219
Land, buildings and equipment (Note 6)	1,040,675	1,380,188
Other assets (Note 7)	2,842,603	3,152,049
	11,946,817	13,712,456
	\$100,212,635	\$114,196,406
Liabilities		
Deposits (Note 8)		
Payable on demand	\$ 6,600,728	\$ 7,192,886
Payable after notice	27,971,238	29,473,479
Payable on a fixed date	44,300,525	53,443,537
	78,872,491	90,109,902
Other		
Cheques and other items in transit, net	648,605	517,334
Acceptances	8,063,539	9,180,219
Liabilities of subsidiaries, other than deposits (Note 9)	742,024	657,142
Other liabilities (Note 10)	5,223,507	5,815,564
Minority interests in subsidiaries	61,771	21,129
	14,739,446	16,191,388
Subordinated Debt		
Bank debentures (Note 11)	1,756,242	2,026,432
Shareholders' Equity		
Capital stock (Note 12)	2,657,534	3,218,343
Retained earnings	2,186,922	2,650,341
	4,844,456	5,868,684
	\$100,212,635	\$114,196,406

R. D. Fullerton

Chairman and Chief Executive Officer

F. H. Logan

Vice-Chairman

Consolidated Statement of Income

for the year ended October 31, 1990

(in thousands of dollars)

	1989	1990
Interest Income		
Income from loans, excluding leases	\$ 8,518,123	\$ 9,932,942
Income from lease financing	68,503	102,019
Income from securities	976,046	1,111,253
Income from deposits with banks	519,796	484,185
Total interest income, including dividends	10,082,468	11,630,399
Interest Expense		
Interest on deposits	6,820,382	8,362,615
Interest on bank debentures	160,659	149,822
Interest on liabilities other than deposits	164,320	100,976
Total interest expense	7,145,361	8,613,413
Net interest income	2,937,107	3,016,986
Provision for loan losses	975,078	253,634
Net interest income after loan loss provision	1,962,029	2,763,352
Other income (Note 13)	1,202,307	1,374,337
Net interest and other income	3,164,336	4,137,689
Non-Interest Expenses		
Salaries	1,322,433	1,487,329
Pension and other staff benefits (Note 14)	110,806	138,041
Premises and equipment expenses, including depreciation	449,715	573,186
Other expenses	579,373	649,181
Total non-interest expenses	2,462,327	2,847,737
Net income before provision for income taxes	702,009	1,289,952
Provision for income taxes (Note 15)	248,700	512,500
Net income before minority interests	453,309	777,452
Minority interests in net income (loss) of subsidiaries	3,304	(24,995)
Net income for the year	\$ 450,005	\$ 802,447
Average number of common shares outstanding	172,783,083	176,184,706
Net income per common share (in dollars)	\$2.28	\$4.03

Consolidated Statement of Changes in Shareholders' Equity

for the year ended October 31, 1990

(in thousands of dollars)

	1989	1990
Capital Stock (Note 12)		
Balances at beginning of year	\$2,577,103	\$2,657,534
Changes during the year		
Preferred shares	—	450,000
Common shares	80,431	110,809
Balances at end of year	\$2,657,534	\$3,218,343
Retained Earnings		
Balance at beginning of year	\$2,030,801	\$2,186,922
Net income for the year	450,005	802,447
Dividends (Note 16)	(269,720)	(325,393)
Net foreign currency translation loss		
(net of income taxes of \$24,299 recovered, 1989: \$42,155) (Note 15)	(24,030)	(6,285)
Expenses of issue of shares (net of income taxes of \$5,288, 1989: \$92) (Note 15)	(134)	(6,795)
Other (Note 15)	—	(555)
Balance at end of year	\$2,186,922	\$2,650,341

Consolidated Statement of Changes in Financial Position

for the year ended October 31, 1990

(in thousands of dollars)

	1989	1990
Funds Derived From:		
Operations		
Net income for the year	\$ 450,005	\$ 802,447
Dividends paid	(269,720)	(325,393)
Other	(24,164)	(13,635)
	156,121	463,419
Capital		
Bank debentures	(10,611)	270,190
Preferred shares	—	450,000
Common shares	80,431	110,809
	69,820	830,999
Banking		
Deposits	6,285,655	11,237,411
Acceptances	584,052	1,116,680
Other liabilities	(1,570,541)	335,262
	5,299,166	12,689,353
Net funds provided	\$5,525,107	\$13,983,771
Funds Invested In:		
Cash resources	\$ (584,181)	\$ 640,257
Securities	(147,391)	778,910
Loans	5,245,156	10,798,965
Acceptances	584,052	1,116,680
Land, buildings and equipment	133,476	339,513
Other assets	293,995	309,446
Net funds invested in assets	\$5,525,107	\$13,983,771

Reports

Financial Reporting Responsibility of Management

The management of Canadian Imperial Bank of Commerce is responsible for the preparation of this Annual Statement and the consolidated financial statements contained therein. The financial statements have been prepared in accordance with accounting principles prescribed by the Bank Act and the rules, regulations and guidelines issued thereunder by the Minister of Finance through the Office of the Superintendent of Financial Institutions.

In meeting its responsibility for the reliability and integrity of the financial statements, management has developed, and maintains, a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded and liabilities are recognized. The system recognizes the need for the employment and training of qualified and professional staff, effective written

communication between management and staff, and management guidelines by means of the Branch Management and Operations Manual. The system also recognizes the need for established policies on social responsibility and corporate conduct, and a management organization philosophy which reflects accountability within delineated areas of responsibility. Of necessity, the financial statements contain some items which reflect the best estimates and judgements of management.

The accounting, reporting and internal control systems are monitored by the Chief Inspector and his staff who examine and review all aspects of the bank's operations. The Chief Inspector has full and free access to the Audit Committee of the Board of Directors of the bank.

R. D. Fullerton

Chairman and Chief Executive Officer

Audit Committee's Report to Shareholders

In accordance with the Bank Act, the Audit Committee of the Board of Directors is comprised of at least three directors none of whom is an officer or employee of the bank or any of its affiliates.

The members of the Audit Committee are:

C.R. Sharpe (Chairman), W.P. Cooper, J. Coutu, W.M. Hatch, W.F. James, S.A. Milner and A. Naimark.

The Audit Committee held seven meetings during the year ended October 31, 1990.

The Audit Committee has the responsibility of overseeing the bank's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, the Audit Committee recommends to the Board the selection of the shareholders' auditors. At each annual meeting, the shareholders of the bank appoint two firms of chartered accountants to be the independent auditors of the bank until the next annual meeting. The current auditors are Peat Marwick Thorne and Price Waterhouse.

The Superintendent of Financial Institutions, at least once a calendar year, examines and inquires into the business and affairs of the bank. His examination is to satisfy himself that the provisions of the Bank Act, having reference to the safety of the interests of depositors, creditors and shareholders of the bank, are being duly observed and that the bank is in a sound financial condition. The Audit Committee is in the practice of meeting with the Superintendent of Financial Institutions at least once a year.

In accordance with the Bank Act and by-laws of the bank and to assist the Audit Committee, the Board of Directors has

appointed officers to carry out the functions of Chief Accountant, Chief Inspector and Compliance Officer.

The bank's interim and annual financial statements are discussed and reviewed by the Audit Committee with management, the Chief Accountant and the auditors before such statements are reviewed by the directors. The Audit Committee also reviews the adequacy of internal controls over accounting and financial reporting systems and discusses with the Chief Inspector and the auditors the overall scope, timing and specific plans for their respective inspections and audits. Regular meetings are held with the Chief Inspector and the auditors, in the absence of management, to discuss the results of their examinations, their evaluations of the internal controls, and the overall quality of the bank's financial reporting. The meetings also facilitate any confidential communication with the Audit Committee desired by the Chief Inspector or the auditors.

Over and above the aforementioned responsibilities, the Audit Committee has the duty to review the adoption of and changes in accounting principles and practices which have a material effect on the financial statements; to review financial reports requiring Board approval prior to submission to securities commissions or other regulatory authorities; to help develop the bank's financial disclosure philosophy; to assess and review key management estimates and judgements material to reported financial information; and to assess the auditors' fees.

C. Richard Sharpe

Chairman, Audit Committee

Auditors' Report to Shareholders

We have audited the consolidated statement of assets and liabilities of Canadian Imperial Bank of Commerce as at October 31, 1990 and the consolidated statements of income, changes in shareholders' equity and changes in financial position for the year then ended. These financial statements are the responsibility of the bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant

estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the bank as at October 31, 1990 and the results of its operations and the changes in its financial position for the year then ended in accordance with prescribed accounting principles.

In accordance with rotation required under the Bank Act, the consolidated financial statements for the year ended October 31, 1989 were audited by Peat Marwick Thorne and Ernst & Young who expressed an opinion thereon without reservation in their report dated December 6, 1989.

Peat Marwick Thorne

Price Waterhouse

Chartered Accountants

Toronto, Canada

December 5, 1990

Notes to the Consolidated Financial Statements

1. Summary of Significant Accounting Policies

The bank's financial statements have been prepared in accordance with the accounting principles prescribed by the Bank Act and the rules, regulations and guidelines issued thereunder by the Minister of Finance through the Office of the Superintendent of Financial Institutions.

These financial statements conform in all material respects with generally accepted accounting principles in Canada and the historical cost International Accounting Standards.

The following is a summary of the significant accounting policies and practices of the bank:

Basis of Consolidation

The financial statements include the accounts of all subsidiaries on a consolidated basis. Goodwill, representing the excess of the purchase price over the net assets of the subsidiaries acquired, is amortized to income over its estimated useful life using the straight-line method, except where a write down is made to reflect permanent impairment. Intercompany accounts and transactions have been eliminated.

Investments in associated corporations (20 to 50 per cent owned companies) are accounted for by the equity method and are included in other securities in the consolidated statement of assets and liabilities. The bank's share of earnings from associated corporations is included in income from securities in the consolidated statement of income.

Securities

Debt securities held for investment are carried at cost, adjusted for amortization of premiums or discounts to maturity. Equity securities, apart from investments in associated corporations, are carried at cost. If the value of securities held for investment is permanently impaired, the carrying value is appropriately reduced. Securities held for trading are carried at market value.

All gains and losses on sale of securities, the amortization of premiums and discounts, the valuation to market of securities held for trading and adjustments to record any permanent impairment in value of securities held for investment, are included in income from securities in the consolidated statement of income.

Loans

Loans are stated net of unearned income and of an allowance for credit losses.

Interest is recorded on the accrual basis for all satisfactory loans and such accrued interest on loans is reported in other assets in the consolidated statement of assets and liabilities. A loan is classified as non-accrual when, in the opinion of management, there are clear indications that a loss may be suffered by the bank either as to principal or interest, or if there are other circumstances which indicate that the account will prove difficult to collect in full within a reasonable period. A loan where payment of interest is contractually past due 90 days is placed on a non-accrual basis unless management determines there is no reasonable doubt as to the ultimate collectibility of principal or interest. When a loan is classified as non-accrual, all uncollected interest is reversed against interest income of the current year. Interest received on a loan, other than a sovereign risk loan, subsequent to its classification as non-accrual is not recorded as income until such time as any prior write-off has been recovered or any specific provision has been reversed and it is deemed that the loan principal is no longer at risk. Interest received on a non-accrual sovereign risk loan is recorded as income on a cash basis.

Fees relating to loan origination, including loan restructuring or renegotiating, are considered an integral part of the yield earned on the loan and are amortized to interest income over the term of the loan. Commitment fees are treated on the same basis if there is reasonable expectation that the commitment will be called upon

and will result in a loan; otherwise, the fees are amortized to other income over the term of the commitment. Loan syndication fees are included in other income on completion of the syndication arrangement provided that the yield on any portion of the loan retained by the bank is at least equal to the average yield earned by the other lenders involved in the financing; otherwise, an appropriate portion of the fee is amortized to interest income to produce an equal average yield over the term of the loan.

Direct Financing Leases

Net investment in lease and finance receivables are included in other loans. Initial direct costs on leases are expensed as incurred. At the inception of a lease, an amount of unearned finance income, equal to the initial direct costs, is recognized as income and the remainder is taken into income over the lease term to produce a constant rate of return on the investment in the lease.

Allowance for Credit Losses

The bank maintains an allowance for credit losses account and management of the bank establishes a balance in this account which it considers adequate to absorb credit losses in the bank's portfolio of on and off balance sheet items. The balance in the allowance for credit losses account may consist of specific provisions, provisions for doubtful credits and general country risk provisions which are deducted from the related asset category except for specific provisions relating to acceptances and off balance sheet items which are carried in other liabilities.

The management of the bank conducts on-going credit assessments of the portfolio on an account-by-account basis and establishes specific provisions when doubtful accounts are identified. For the consumer and Visa loan portfolios specific provisions are established by reference to historical ratios of write-offs to balances outstanding. Specific provisions include the accumulated provisions for losses on particular assets that are required to reduce the related assets to estimated realizable values. Provisions for doubtful credits include provisions for losses (excluding the general country risk provisions) which are prudential in nature and cannot be determined on an account-by-account basis but which are required in order to absorb losses in the portfolio. The general country risk provisions include the accumulated provisions for losses on sovereign, transborder or country risk claims on certain lesser developed countries designated by the Superintendent of Financial Institutions.

Land, Buildings and Equipment

Land is carried at cost; buildings and equipment, including leasehold improvements, are carried at cost less accumulated depreciation. Appropriate rates of depreciation are used to allocate the cost of the assets over their expected useful lives.

Foreign Currency Translation

All assets and liabilities held in foreign currencies are translated into Canadian dollars at rates prevailing at the date of the financial statements with the following exceptions – investments in foreign currency securities and fixed assets when purchased with Canadian dollars are carried at historic cost. Revenue and expenses in foreign currencies are translated into Canadian dollars using average monthly exchange rates for the year. Realized and unrealized gains and losses on foreign currency positions are reported in the consolidated statement of income of the current year with the following exception – premiums and discounts on deposit swaps are amortized to maturity as interest in the consolidated statement of income. Unrealized translation gains and losses in respect of net investment positions in foreign operations, which consist of investments in foreign branches, subsidiaries and associated corporations, are reported in retained earnings in the consolidated statement of changes in shareholders' equity, net of applicable income taxes and any offsetting gains and losses arising from economic hedges of these net investment positions.

Interest Rate and Cross Currency Swaps

The bank enters into interest rate and cross currency swap transactions as a source of trading and fee income and to facilitate management of the risks associated with its interest rate and foreign currency exposures. The bank's trading portfolio of interest rate and cross currency swaps is marked to market and the net gain or loss is recognized in the current period. Fee income as well as income and expenses related to risk management swaps are recognized over the term of the swap agreements.

Income and expenses from swaps are reported as other income except for income and expenses related to risk management swaps which are reported as interest in the consolidated statement of income.

Interest Rate Futures

Interest rate futures and forward rate agreements are used to hedge certain assets, liabilities or transactions and may be used in the trading activities of the bank. Gains and losses on agreements used for hedging purposes are deferred and amortized to income over the expected remaining term of the related hedged asset, liability or transaction. The trading position is revalued by pricing the agreements at market rates and the net gain or loss is reported as other income in the consolidated statement of income in the current period.

Foreign Exchange and Precious Metals Trading

The bank conducts its foreign exchange and precious metals (mainly gold and silver) trading by entering into spot, forward, futures and option contracts. The foreign exchange and precious metals trading positions are valued at market rates and the resultant gains and losses are reported as other income in the consolidated statement of income in the current period.

The bank's precious metals inventory is reported as cash resources and the liability to customers in respect of certificates issued is reported as other liabilities in the consolidated statement of assets and liabilities.

Income Taxes

The bank provides for income taxes under the tax allocation basis of accounting whereby income taxes are provided for in the year in which the related income or expense is reflected in the financial statements. Accumulated deferred income taxes resulting from timing differences in the recognition of income and expense for income tax and financial statement purposes are included in other liabilities or other assets, whichever is appropriate, in the consolidated statement of assets and liabilities.

Pensions

The bank is the sponsor of two major pension plans, the contributory and the non-contributory defined benefit pension plans, under which all eligible employees are entitled to benefits based on length of service and rates of pay.

Based on management's best estimate assumptions, actuarial valuations of the pension funds are made periodically for accounting purposes using the projected benefit method pro rated on service. Market related values are used to value pension fund assets. The valuations are made by an independent actuary who provides management with advice and assistance in arriving at their best estimate assumptions.

The annual pension expense or recovery includes the actuarial costs of pension benefits and the amortization of the net pension assets as at November 1, 1985 and subsequent experience gains and losses. Amortization is carried out on a straight-line basis over the expected average remaining service life of the employee groups covered by the plans.

The bank also provides certain health care and life insurance benefits to eligible pensioners. The costs of such benefits are expensed as incurred.

Net Income per Common Share

Net income per common share is calculated by dividing net income for the year less dividends declared on preferred shares by the daily average equivalent of fully paid common shares outstanding.

2. Securities

(\$ thousands)

The analysis of securities by type of security is as follows:

	1989	1990
Securities, at amortized value, issued or guaranteed by:		
Canada:		
Treasury bills	\$ 2,038,880	\$ 2,936,822
Other securities maturing within three years	206,445	133,738
Other securities	84,172	82,809
Provinces	221,723	432,670
Municipal or school corporations in Canada	9,697	8,810
	2,560,917	3,594,849
Other securities:		
Debt of Canadian issuers, at amortized value less provisions for losses:		
Income debentures	160,363	131,752
Small business development bonds and small business bonds	56,678	35,429
Other	292,217	341,641
Debt of foreign issuers, at amortized value*	1,321,831	2,297,623
	1,831,089	2,806,445
Equities of Canadian issuers, at cost less provisions for losses:		
Term preferred shares	334,781	388,374
Other	909,148	984,997
Equities of foreign issuers, at cost	95,316	93,849
	1,339,245	1,467,220
Securities of associated corporations:		
Shares, valued on the equity method	29,798	119,657
Total securities held for investment	5,761,049	7,988,171
Securities held for trading, at market value	3,862,008	2,413,796
Total securities, at carrying value	\$ 9,623,057	\$10,401,967
Total securities, at market value	\$ 9,672,225	\$10,292,720

* Includes Mexican government bonds secured by U.S. Treasury securities carried at U.S.\$319 million (Cdn.\$372 million); the comparable amount in 1989 was U.S.\$157 million (Cdn.\$184 million). The par value of these bonds is U.S.\$408 million (Cdn.\$476 million);

the comparable amount in 1989 was U.S.\$216 million (Cdn.\$253 million). The increase in 1990 reflects the exchange of Mexican loans with a face value of U.S.\$294 million for Mexican government bonds secured by U.S. Treasury securities of U.S.\$192 million carried at U.S.\$162 million.

The maturity analysis of securities, at carrying values, is as follows:

	1989	1990	Securities issued or guaranteed by:		Other securities:	
Year of maturity:	Total	Total	Canada	Provinces and municipal or school corporations	Debt	Equity
Within 1 year	\$5,298,746	\$ 6,322,079	\$3,466,669	\$457,258	\$2,372,976	\$ 25,176
Over 1 to 3 years	688,600	773,090	76,891	26,610	427,579	242,010
Over 3 to 5 years	763,196	608,629	131,170	26,136	365,247	86,076
Over 5 to 10 years	1,065,360	673,694	308,411	25,279	307,549	32,455
Over 10 years	898,502	663,721	59,069	46,350	558,302	-
No specific maturity	908,653	1,360,754	-	6,762	113,102	1,240,890
Total	\$9,623,057	\$10,401,967	\$4,042,210	\$588,395	\$4,144,755	\$1,626,607

3. Loans
(\$ thousands)

The analysis of loans net of unearned income, specific provisions and general country risk provisions is as follows:

	1989	1990
Mortgages in Canada	\$ 20,610,157	\$ 23,901,602
Personal loans to Canadians	13,297,252	14,370,534
	33,907,409	38,272,136
Loans to Canadian businesses:		
Trades and services	8,801,395	8,725,000
Manufacturing	3,659,876	4,216,683
Construction and development	3,238,726	3,799,003
Real estate operators	878,133	978,520
Agriculture	1,911,866	1,890,935
Natural resources	1,741,360	1,957,377
Transportation and communications	1,221,371	1,378,416
Other	1,779,413	1,799,654
	23,232,140	24,745,588
Loans and mortgages outside Canada (excluding LDCs)	15,200,834	20,312,902
Loans to designated countries	191,278	–
	\$ 72,531,661	\$ 83,330,626
Of which, Canadian currency	\$ 53,830,082	\$ 59,047,214
foreign currencies	\$ 18,701,579	\$ 24,283,412

4. Allowance for Credit Losses
(\$ thousands)

The movement in the allowance for credit losses account is as follows:

	1989	1990		
	Total	Total	General country risk provisions	Specific provisions
Balance at beginning of year	\$1,311,657	\$ 1,717,436	\$1,313,230	\$ 404,206
Write-offs	(603,667)	(1,060,586)	(501,748)	(558,838)
Recoveries	65,111	58,854	–	58,854
Provision for loan losses charged to the statement of income	975,078	253,634	(125,772)	379,406
Foreign exchange adjustments	(30,743)	7,863	6,529	1,334
Balance at end of year	\$1,717,436	\$ 977,201	\$ 692,239	\$ 284,962

5. Non-Performing Loans

(\$ thousands)

The analysis of non-performing loans including securities that qualify as loan substitutes, net of general country risk provisions, is as follows:

	1989	1990		
	Net total	Net total	Gross amount	Specific provisions
Non-accrual personal loans:				
Consumer plan, Visa and mortgage loans	\$ 36,412	\$ 59,670	\$ 172,888	\$113,218
Other personal loans	36,198	55,985	66,580	10,595
	72,610	115,655	239,468	123,813
Non-accrual Canadian business loans:				
Trades and services	137,963	132,655	176,632	43,977
Manufacturing	90,762	74,328	94,984	20,656
Construction and development	50,154	43,088	54,148	11,060
Real estate operators	24,699	22,852	24,120	1,268
Agriculture	98,520	82,981	103,614	20,633
Natural resources	22,540	29,533	35,643	6,110
Transportation and communications	22,862	16,576	44,058	27,482
Other	7,558	11,661	18,406	6,745
	455,058	413,674	551,605	137,931
Non-accrual loans outside Canada:				
United States	205,953	245,024	250,414	5,390
Europe	721	55,530	61,753	6,223
Latin America	5,528	5,781	8,698	2,917
Asia and Pacific	31,032	29,464	38,152	8,688
	243,234	335,799	359,017	23,218
Total non-accrual loans	770,902	865,128	1,150,090	284,962
Renegotiated reduced rate loans	7,100	6,830	6,830	-
	\$778,002	\$871,958	\$1,156,920	\$284,962

6. Land, Buildings and Equipment

(\$ thousands)

The analysis is as follows:

	1989	1990		
	Net book value	Net book value	Cost	Accumulated depreciation
Land	\$ 120,005	\$ 181,152	\$ 181,152	\$ -
Buildings	387,838	497,340	714,529	217,189
Equipment	407,895	564,294	948,348	384,054
Leasehold improvements	124,937	137,402	207,454	70,052
	\$1,040,675	\$1,380,188	\$2,051,483	\$671,295

Depreciation and amortization in respect of the above buildings, equipment and leasehold improvements for the year amounted to \$133,785 (1989: \$93,239).

7. Other Assets

(\$ thousands)

These assets consist of the following:

	1989	1990
Accrued interest receivable	\$1,722,345	\$1,499,137
Brokers' client accounts	197,144	265,840
Goodwill	101,070	99,378
Deferred income taxes (Note 15)	14,647	—
Other deferred items	116,521	139,709
Other items, including accounts receivable and prepayments	690,876	1,147,985
	\$2,842,603	\$3,152,049

8. Deposits

(\$ thousands)

The analysis of deposits by type of depositor is as follows:

	1989	1990			
	Total	Total	Payable on demand	Payable after notice	Payable on a fixed date
Deposits by Canada	\$ 92,715	\$ 204,275	\$ 204,275	\$ —	\$ —
Deposits by provinces	471,499	695,925	56,569	409,256	230,100
Deposits by banks	9,469,705	10,971,167	689,652	193,186	10,088,329
Deposits by individuals	42,106,483	47,534,076	1,260,325	24,917,273	21,356,478
Other deposits	26,732,089	30,704,459	4,982,065	3,953,764	21,768,630
	\$78,872,491	\$90,109,902	\$7,192,886	\$29,473,479	\$53,443,537
Of which,					
Canadian currency	\$55,376,618	\$61,017,766	\$5,479,733	\$27,935,459	\$27,602,574
foreign currencies	\$23,495,873	\$29,092,136	\$1,713,153	\$ 1,538,020	\$25,840,963

9. Liabilities of Subsidiaries, other than Deposits

(\$ thousands)

These liabilities are at varying interest rates and varying terms of maturity to 1994 and are summarized as follows:

	1989	1990
CIBC Leasing Limited – senior secured notes	\$453,486	\$453,061
The CIBC Wood Gundy Corporation – secured call loans	287,383	203,808
– unsecured call loans	1,155	273
	\$742,024	\$657,142

10. Other Liabilities

(\$ thousands)

These liabilities consist of the following:

	1989	1990
Accrued interest payable	\$2,503,218	\$2,795,732
Obligations related to securities sold short or under repurchase agreements	1,182,954	1,253,524
Gold and silver certificates	407,377	648,707
Brokers' client accounts	316,152	88,713
Deferred income taxes (Note 15)	—	216,177
Other items, including accounts payable and accruals	813,806	812,711
	\$5,223,507	\$5,815,564

11. Bank Debentures
(\$ thousands)

Bank debentures, which are unsecured and subordinated to deposits and other liabilities, comprise:

Interest rate	Maturity date	Earliest date redeemable by the bank	Denominated in foreign currency	1989	1990
11.625%	February 1, 1990			\$ 75,000	\$ -
11%	June 15, 1990			100,000	-
7.5%	May 15, 1993	May 15, 1985		859	854
9.75%	January 2, 1995	January 2, 1985		2,590	2,166
9.5%	October 15, 1996	October 15, 1986		4,197	4,171
9.5%	November 7, 1997		LUF 1.7 billion	-	63,512
9.25%	February 15, 1998	February 15, 1988		7,048	6,054
6.375%	June 6, 1998		DM 200 million	127,420	153,780
5.125%	September 22, 1998	September 22, 1993	SFr 100 million	72,640	90,760
10.071%	November 4, 1998	October 27, 1993	U.S.\$45 million	52,808	52,502
10.375%	January 31, 2000			150,000	150,000
5.7% (1)	September 13, 2000	September 13, 1998	Yen 18 billion	147,870	161,352
12.45%	December 1, 2000			-	150,000
7.3% (2)	January 27, 2001	January 27, 1999	Yen 9 billion	73,935	80,676
7.88% (3)	July 28, 2001	July 28, 1999	Yen 5 billion	41,075	44,820
5.5%	June 21, 2003		Yen 5 billion	41,075	44,820
5.7% (4)	September 29, 2003	September 29, 1998	Yen 5 billion	41,075	44,820
7.5% (5)	November 28, 2003	November 28, 1998	Yen 5 billion	41,075	44,820
7.4% (6)	January 27, 2004	January 27, 1999	Yen 5 billion	41,075	44,820
11.125%	February 10, 2004			50,000	50,000
6.91% (7)	July 19, 2004	July 19, 1999	Yen 5 billion	41,075	44,820
11.85% (8)	August 23, 2010	August 23, 1995		-	150,000
Floating rate (9)	July 31, 2084	July 31, 1990	U.S.\$300 million	352,050	350,010
Floating rate (10)	August 31, 2085	August 20, 1991	U.S.\$250 million	293,375	291,675
				\$1,756,242	\$2,026,432

- (1) Interest rate will be 6.7% after September 13, 1998.

(2) Up to January 27, 1999, the interest rate is applied to an agreed nominal Australian dollar equivalent of the principal amount and interest is payable in Australian dollars; subsequently, interest is payable in Japanese yen at a rate equal to the Japanese long-term prime rate plus 0.9%.

(3) Up to July 28, 1999, the interest rate is applied to an agreed nominal Australian dollar equivalent of the principal amount and interest is payable in Australian dollars; subsequently, interest is payable in Japanese yen at a rate equal to the Japanese long-term prime rate plus 1%.

(4) Interest rate will be equal to the Japanese long-term prime rate plus 0.3% after September 29, 1998.

(5) Up to November 28, 1998, the interest rate is applied to an agreed nominal Australian dollar equivalent of the principal amount and interest is payable in Australian dollars; subsequently, interest is payable in Japanese yen at a rate equal to the Japanese long-term prime rate plus 0.9%.
- (6) Up to January 27, 1999, the interest rate is applied to an agreed nominal Australian dollar equivalent of the principal amount and interest is payable in Australian dollars; subsequently, interest is payable in Japanese yen at a rate equal to the Japanese long-term prime rate plus 0.9%.

(7) Up to July 19, 1999, the interest rate is applied to an agreed nominal British pounds sterling equivalent of the principal amount and interest is payable in British pounds sterling; subsequently, interest is payable in Japanese yen at a rate equal to the Japanese long-term prime rate plus 1%.

(8) Interest rate for each of the five-year periods subsequent to August 23, 1995 will be determined by auction procedures.

(9) Interest rate is the average London Inter-Bank Offered Rate plus 0.25%.

(10) Interest rate is the average London Inter-Bank Offered Rate plus 0.125%.

The bank enters into swap agreements, where appropriate, to hedge the exposure of debentures to foreign exchange and interest rate risks.

In accordance with the formula prescribed in the Bank Act, the bank has the capacity to issue an additional \$908 million of debentures as at October 31, 1990.

The aggregate of the sinking fund requirements and maturities of bank debentures under the terms of issue is as follows:

Within 1 year	\$ 872
Over 1 to 3 years	2,462
Over 3 to 5 years	3,164
Over 5 to 10 years	678,653
Over 10 years	1,341,281
	\$2,026,432

12. Capital Stock

Authorized:

Preferred Shares:
75,000,000 – Class A without par value issuable for an aggregate consideration not exceeding \$1,500,000,000.
30,000,000 – Class B without par value issuable for an aggregate consideration not exceeding \$750,000,000.

Common Shares:
400,000,000 – without par value issuable for an aggregate consideration not exceeding \$3,000,000,000.

Issued and fully paid:
(\$ thousands)

	Shares		Amount	
	1989	1990	1989	1990
Class A Preferred Shares:				
Series 3: Outstanding	3,000,000	3,000,000	\$ 300,000	\$ 300,000
Series 4: Outstanding	1,500,000	1,500,000	150,000	150,000
Series 5: Outstanding	6,000,000	6,000,000	150,000	150,000
Series 6: Issued for cash in 1990	–	8,000,000	–	200,000
Series 7: Issued for cash in 1990	–	500	–	50,000
Series 8: Issued for cash in 1990	–	8,000,000	–	200,000
Total preferred share capital stock at end of year			\$ 600,000	\$ 1,050,000
Common Shares:				
Total common share capital stock at beginning of year	171,668,454	174,567,280	\$ 1,977,103	\$ 2,057,534
Issued pursuant to the Shareholder Investment Plan	2,898,826	4,580,649	80,431	110,809
Total common share capital stock at end of year	174,567,280	179,147,929	\$ 2,057,534	\$ 2,168,343
Total capital stock			\$ 2,657,534	\$ 3,218,343

Share rights and privileges:

Price Adjusted Floating Rate Class A Preferred Shares Series 3 and Series 4
These shares bear cumulative dividends, payable monthly, at rates that float in relation to the bank’s prime interest rate adjusted upwards or downwards on a monthly basis whenever the calculated trading price of the shares is less than \$99.75 or more than \$100.25, respectively. These shares are redeemable by the bank at the redemption price of \$100 per share.

Floating Rate Class A Preferred Shares Series 5
These shares bear cumulative dividends, payable quarterly, at a rate based on 69% of the bank’s average prime interest rate. These shares are redeemable by the bank at the redemption price of \$25 per share on or after January 31, 1992.

Class A Preferred Shares Series 6
These shares bear non-cumulative dividends, payable quarterly, at a rate equal to the greater of (i) \$0.5625 per share, and (ii) 70% of the regular dividend, if any, for the quarter declared and paid on the Common Shares of the bank. These shares are redeemable by the bank at the redemption price of \$26.75 per share in the 12-month period commencing December 1, 1994 reducing thereafter by 25 cents annually to \$25.75 for the 12 months com-

mencing December 1, 1998 and to \$25 on December 1, 1999 and thereafter. Alternatively, redemption may be satisfied, at the bank’s option, by conversion of the shares to be redeemed into Common Shares of the bank based on 95% of the weighted average trading price of such Common Shares on The Toronto Stock Exchange.

Class A Preferred Shares Series 7
These shares bear non-cumulative dividends, payable monthly, at a rate based on 72% of the one month bankers’ acceptance rate. On or after December 31, 1994, the bank may redeem the shares at the redemption price of \$100,000 per share or convert the shares to be redeemed to Common Shares of the bank based on 95% of the weighted average trading price of such Common Shares on The Toronto Stock Exchange.

After December 31, 1996, each share will be convertible at the option of the holder into Common Shares of the bank based on 95% of the weighted average trading price of such Common Shares on The Toronto Stock Exchange. The bank may opt to redeem for cash or to ensure sale for cash to another purchaser shares so tendered for conversion.

12. Capital Stock (continued)

Class A Preferred Shares Series 8

These shares bear non-cumulative dividends, payable quarterly, at a rate equal to the greater of (i) \$0.5550 per share, and (ii) 70% of the regular dividend, if any, for the quarter declared and paid on the Common Shares of the bank. These shares are redeemable by the bank at the redemption price of \$26.75 per share in the 12-month period commencing February 20, 1995 reducing thereafter by 25 cents annually to \$25.75 for the 12 months commencing February 20, 1999 and to \$25 on February 20, 2000 and thereafter. Alternatively, redemption may be satisfied, at the bank's option, by conversion of the shares to be redeemed into Common Shares of the bank based on 95% of the weighted average trading price of such Common Shares on The Toronto Stock Exchange.

Shareholder Investment Plan

Common shareholders and holders of Class A Preferred Shares Series 5, Series 6 or Series 8, other than residents of United States or Japan, have the right to reinvest their respective dividends, under the Dividend Reinvestment Option, in new Common Shares at a price of 95% of the average market price. Once a month, under the Share Purchase Option, each such shareholder also has the right to purchase new Common Shares at 100% of the average market price, subject to a limit of \$50,000 per annum. Under the Stock Dividend Option, shareholders, other than residents of Japan, having at least 100 Common Shares or Class A Preferred Shares Series 5, Series 6 or Series 8, have the right to receive dividends in the form of new Common Shares at a price of 95% of the average market price. Pursuant to the Plan, new Common Shares were issued as follows:

(\$ thousands)	Shares		Total proceeds added to capital stock	
	1989	1990	1989	1990
Share purchase	59,731	70,395	\$ 1,650	\$ 1,903
Dividend reinvestment	2,635,300	4,280,710	73,158	103,339
Stock dividend	203,795	229,544	5,623	5,567
	2,898,826	4,580,649	\$ 80,431	\$110,809

Shares reserved for issue:

6,795,600 Common Shares have been reserved for issue pursuant to the Shareholder Investment Plan.

13. Other Income

(\$ thousands)

The analysis of other income by source is as follows:

	1989	1990
Service charges	\$ 294,250	\$ 334,008
Commissions on securities transactions	205,914	225,942
Loan fees	196,277	200,391
Foreign exchange, bullion and swap trading	186,526	235,846
Visa	134,229	147,446
Other	185,111	230,704
	\$1,202,307	\$1,374,337

14. Pensions

(\$ thousands)

Based on the latest actuarial valuations for accounting purposes as at October 31, 1989, the estimated present value of accrued pension benefits attributed to employees' services rendered up to October 31, 1990 and the estimated value of pension fund assets as at such date totalled \$968,172 (1989: \$878,612) and \$1,217,004 (1989: \$1,113,191) respectively. No surplus assets have been withdrawn from the pension funds by the bank during the year. Based on the latest actuarial valuations for funding purposes made under the Pension Benefits Standards Act as at October 31, 1989, no funding was required in respect of the

contributory plan; the non-contributory plan had an unfunded liability of \$29,367 (1989: \$29,692) of which \$3,605 (1989: \$3,495) together with the current service liability of \$19,757 (1989: \$17,278) were funded by the bank during the year in accordance with the actuary's recommendation.

Total pension expense includes the actuarial cost of pension benefits and the amortization of the net pension assets as at November 1, 1985, and subsequent experience gains and losses. The net result of these amounts is a recovery of \$5,133 for the year ended October 31, 1990 (1989: \$6,820).

15. Provision for Income Taxes
(\$ thousands)

The provision for income taxes included in the financial statements is as follows:

	1989	1990
Consolidated statement of income:		
Provision for income taxes	\$ 248,700	\$512,500
Consolidated retained earnings related to:		
Net foreign currency translation loss	42,155	(24,299)
Expenses of issue of shares	(92)	(5,288)
Tax on preferred share dividends	—	555
	\$ 290,763	\$483,468

Deferred income tax provisions arise from timing differences in the recognition of income and expenses for income tax and

financial statement purposes. The split between current and deferred income taxes for the year is as follows:

	1989	1990
Current income taxes	\$ 482,347	\$252,644
Deferred income taxes	(191,584)	230,824
	\$ 290,763	\$483,468

Accumulated deferred income taxes are included in other assets (see note 7) or other liabilities (see note 10).

The income of the bank is subject to both federal and provincial income taxes. The combined federal and provincial income tax rate will vary each year according to changes in the statutory rates imposed by each of these jurisdictions and according to changes in the proportion of the bank’s business carried on in each province. The provision for income taxes in the consolidated statement of income is at a rate less than the combined federal and provincial income tax rate for the following reasons:

	1989	1990
Combined federal and provincial income tax rate	42.2%	42.4%
Changes in rate resulting from:		
Tax-exempt interest and dividends	(7.0)	(3.8)
Lower net effective tax rates applicable to foreign subsidiaries	(1.5)	(2.9)
Higher net effective tax rates applicable to domestic subsidiaries	0.8	3.3
Other	0.9	0.7
Effective income tax rate in the consolidated statement of income	35.4%	39.7%

Wood Gundy Inc. has incurred losses for income tax purposes of approximately \$90 million which may be carried forward and applied against future taxable income earned. These losses

expire in the period from 1994 to 1998. No benefit in respect of the bank’s portion of these amounts has been recorded in the accounts.

16. Dividends
(\$ thousands)

Dividends declared during the year are as follows:

	1989	1990
Class A Preferred Shares – Series 3	\$ 28,191	\$ 30,057
– Series 4	13,851	15,051
– Series 5	13,426	14,630
– Series 6	—	16,558
– Series 7	—	4,164
– Series 8	—	12,432
	55,468	92,892
Common Shares	214,252	232,501
	\$ 269,720	\$325,393

17. Off Balance Sheet Items

(\$ thousands)

In the normal course of business, the bank has various outstanding contracts and arrangements such as guarantees, letters of credit, lines of credit, foreign exchange spot and forward contracts, and foreign currency and interest rate swaps. These items are not reported in the consolidated statement of assets and liabilities. The contracts are marked to market where appropriate and any required allowance for credit losses is included in other liabilities.

The contracts and arrangements summarized below represent obligations to perform but do not necessarily reflect the economic risks associated with the transactions. Each type of contract or arrangement will limit or give rise to varying degrees and types of risk such as credit, interest rate, foreign exchange and liquidity risk. Certain of the outstanding contracts and arrangements are undertaken by the bank to reduce the exposure of assets, liabilities and off balance sheet items to foreign exchange or interest rate risk.

Credit risk to the bank is the exposure to loss when a customer does not honor or perform contractual obligations com-

pletely. Liquidity risk relates to the bank's ability to honor its prior commitments to customers when they come due. The bank manages credit and liquidity risks through internal control systems which include credit investigations and approvals, lending limits and constant monitoring procedures.

Many lines of credit do not result in outlay of funds by the bank, hence credit or liquidity risk is reduced.

Foreign exchange and interest rate related transactions usually consist of offsetting contracts and therefore the level of foreign exchange and interest rate risk to the bank that arises is limited to the net position on these offsetting transactions. In these transactions, there is inherent credit risk only for those contracts where there are rate changes that affect a customer's position unfavorably. As the reported amount includes offsetting contracts, only one half of the contractual amount will be subject to credit risk at any point in time and potential loss is limited to the unfavorable change caused by the movement in foreign exchange or interest rates.

	1989	1990
Credit related arrangements:		
Guarantees and letters of credit ⁽¹⁾	\$ 6,995,000	\$ 7,564,000
Lines of credit	66,270,000	63,310,000
Note issuance and revolving underwriting facilities	2,098,000	2,058,000
	75,363,000	72,932,000
Foreign exchange and interest rate related contracts:		
Foreign exchange spot and forward contracts ⁽²⁾	64,276,000	114,245,000
Foreign currency and interest rate futures ⁽³⁾	6,383,000	15,596,000
Forward rate agreements ⁽³⁾	7,518,000	14,715,000
Foreign currency and interest rate options purchased ⁽³⁾	4,843,000	8,983,000
Foreign currency and interest rate swaps ⁽⁴⁾	53,809,000	92,364,000
Other ⁽⁵⁾	922,000	1,715,000
	137,751,000	247,618,000
	\$213,114,000	\$320,550,000

(1) Guarantees and letters of credit include those issued on behalf of corporations in which the bank owns 10 to 50 per cent of the voting shares, amounting to \$15,287 (1989: \$27,177).

(2) Amounts reported are based on contracts to purchase Canadian and foreign currencies including undelivered spot positions.

(3) In most instances these contracts are used to manage the foreign exchange and interest rate risks associated with completed transactions recorded on the consolidated statement of assets and liabilities or anticipated transactions. The measurement of risks associated with these contracts is only meaningful when all related and offsetting transactions are identified.

(4) Only the notional principal amount of outstanding foreign currency

and interest rate swap transactions is reported. The amount at risk from these transactions can be estimated by determining the cost, on a present value basis, of replacing at current market rates all those outstanding contracts on which the bank would incur a loss in replacing the contracts. This amount will vary during the term of the swaps as a function of maturity and market rates and is significantly less than the notional principal amount.

(5) Includes precious metal forwards, futures and purchased options; equity futures and purchased options; debt security options purchased; repurchase agreements.

(6) The above amounts are reported as at October 31, except for lines of credit which are reported as at September 30.

18. Long-Term Commitments for Leases

(\$ thousands)

The bank has obligations under long-term non-cancellable leases for buildings and equipment. Future minimum lease payments for such commitments for each of the five succeeding years and thereafter are as follows:

	Buildings	Equipment	Total
1991	\$111,878	\$25,627	\$137,505
1992	107,615	15,451	123,066
1993	98,992	5,033	104,025
1994	91,717	1,153	92,870
1995	83,731	216	83,947
1996 and thereafter	919,443	-	919,443

Total rental expense in respect of buildings and equipment charged to income for the year was \$240,436 (1989: \$208,671).

19. Contingent Liabilities

Various actions and legal proceedings arising from the normal course of business are pending against the bank and its subsidiaries.

Management of the bank considers the aggregate liability, if any, of these actions and proceedings, is not material.

Condensed Financial Statements of Certain Subsidiaries

which are included in the consolidated financial statements of the bank (annexed in accordance with Section 215 (3)(e) of the Bank Act).

CIBC Mortgage Corporation

Balance Sheet

as at October 31, 1990
(in thousands of dollars)

	1989	1990
Assets		
Securities	\$ 1,747,496	\$ 2,086,367
Mortgage loans	20,746,530	24,683,424
Other assets	169,029	254,686
	\$22,663,055	\$27,024,477
Liabilities and Shareholder's Equity		
Payable to CIBC	\$ 933,446	\$ 890,291
Deposits payable after notice	8,125,128	9,935,612
Deposits payable on a fixed date	11,724,932	13,922,894
Other indebtedness	327,897	318,979
Other liabilities	705,229	927,954
Shareholder's equity:		
Capital stock	720,000	920,000
Contributed surplus	75	75
Retained earnings	126,348	108,672
	\$22,663,055	\$27,024,477

Statement of Income and Retained Earnings

for the year ended October 31, 1990
(in thousands of dollars)

	1989	1990
Interest income	\$2,335,046	\$3,034,661
Other income	4,004	4,066
	2,339,050	3,038,727
Less:		
Interest expense – CIBC	170,704	112,857
– other	1,846,859	2,523,544
Origination, administrative and servicing fees – CIBC	261,269	326,705
Operating expenses	38,170	45,276
	2,317,002	3,008,382
Net income before income taxes	22,048	30,345
Income taxes	7,736	13,298
Net income for the year	14,312	17,047
Retained earnings at beginning of year	128,859	126,348
	143,171	143,395
Dividends on preferred shares	16,823	34,723
Retained earnings at end of year	\$ 126,348	\$ 108,672

Notes:

- (1) The corporation is subject to the provisions of the Loan Companies Act (Canada). The bank acts as the corporation's sole agent in acquiring first mortgage loans and securities, and in promoting and selling the corporation's deposit liabilities which are guaranteed by the bank.
- (2) The bank owns the entire capital stock of CIBC Mortgage Corporation which consists of preferred shares of \$420,000,000 (1989: \$220,000,000) and common shares of \$500,000,000.

CIBC Leasing Limited**Balance Sheet**as at October 31, 1990
(in thousands of dollars)

	1989	1990
Assets		
Net investment in lease and finance receivables	\$591,145	\$614,049
Fixed assets less accumulated depreciation	549	594
Receivable from CIBC	462	3
Other assets	321	899
	\$592,477	\$615,545
Liabilities and Shareholder's Equity		
Payable to CIBC	\$ 25,992	\$ 40,576
Secured notes payable	453,486	453,061
Other liabilities	20,034	23,884
Shareholder's equity:		
Capital stock	77,000	77,000
Retained earnings	15,965	21,024
	\$592,477	\$615,545

Statement of Income and Retained Earningsfor the year ended October 31, 1990
(in thousands of dollars)

	1989	1990
Income	\$63,939	\$74,587
Less:		
Interest expense – CIBC	1,205	1,597
– other	45,190	52,740
Selling and administrative expenses – CIBC	995	1,060
– other	5,470	5,589
Provision for bad debts	702	3,574
	53,562	64,560
Net income before income taxes	10,377	10,027
Income taxes	4,657	4,968
Net income for the year	5,720	5,059
Retained earnings at beginning of year	10,245	15,965
Retained earnings at end of year	\$15,965	\$21,024

Notes:

(1) The company is engaged in direct finance leasing and providing commercial finance by way of conditional sales contracts.

(2) The bank owns the entire capital stock of CIBC Leasing Limited which consists of preferred shares of \$77,000,000 and common shares of \$300.

Subsidiaries and Other Corporations

in which the bank owns more than 10 per cent of the voting shares as at October 31, 1990 (annexed in accordance with Section 216 (4) of the Bank Act).

Name	Address of Head or Principal Office	Book value ⁽¹⁾ of voting shares owned by the bank (\$ thousands)	Per cent of issued and outstanding voting shares owned by the bank
CIBC Asset Trading Inc.	Toronto, Canada	\$ 15,000	100.0
CIBC Capital Corporation Ltd.	Toronto, Canada	note (2)	100.0
CIBC Development Corporation	Toronto, Canada	\$ 1	100.0
CIBC Investment Management Corporation	Toronto, Canada	\$ 28	51.0
CIBC Leasing Limited	Toronto, Canada	note (2)	100.0
CIBC Mortgage Corporation	Toronto, Canada	\$502,668	100.0
CIBC Securities Inc.	Toronto, Canada	\$ 25,000	100.0
CIBC Venture Capital Corporation	Toronto, Canada	\$ 7,876	100.0
CIBC Ventures Inc.	Toronto, Canada	note (2)	100.0
The CIBC Wood Gundy Corporation Holding company for: Wood Gundy Inc. Wood Gundy Corp.	Toronto, Canada	\$203,323	71.9 ⁽³⁾
The Dominion Realty Company Limited Holding company for: McKinnon Properties Limited Stormoway Investment Limited	Toronto, Canada	\$ 44,000	100.0
Edifice Dorchester-Commerce Inc.	Montreal, Canada	\$ 26,260	100.0
Imbank Nominees Limited	Toronto, Canada	note (2)	100.0
Imbank Realty Company Limited	Toronto, Canada	\$ 250	100.0
Beaufort Sea Programme Limited	Calgary, Canada	note (2)	25.0
Chargex Ltd./Chargex Ltée	Ottawa, Canada	note (2)	25.0
Export Finance Corporation of Canada Limited	Toronto, Canada	\$ 7	25.7

Notes:

- (1) Book value of voting shares of subsidiaries is shown at cost and that of associated corporations (20 to 50 per cent owned companies) is shown at equity.
- (2) The book value of voting shares owned by the bank in each of these corporations is less than one thousand dollars.
- (3) Based on total shares issued adjusted for employee shares repurchased and not yet redistributed by the subsidiary.

Name	Address of Head or Principal Office	Book value ⁽¹⁾ of voting shares owned by the bank (\$ thousands)	Per cent of issued and outstanding voting shares owned by the bank
Canadian Imperial Bank of Commerce (International) S.A. Holding company for: Canadian Imperial Management S.A. CIBC Leasing S.A. CIBC Properties SARL	Paris, France	\$ 13,776	100.0
Canadian Imperial Bank of Commerce (Suisse) s.a.	Geneva, Switzerland	\$ 36,304	100.0
Canadian Imperial Holdings Inc. Holding company for: Canadian Imperial Bank of Commerce (California) Canadian Imperial Bank of Commerce (New York) CIBC Inc. CIBC Capital Corporation CIBC Leasing Inc.	Wilmington, U.S.A.	\$428,107	100.0
CIBC Asia Limited	Singapore	\$ 6,846	100.0
CIBC Australia Holdings Limited Holding company for: CIBC Australia Limited CIBC Australia Securities Limited CIBC New Zealand Securities Limited Martin Corporation Services Pty. Limited Sital Pty. Limited Wood Gundy Pty. Limited	Sydney, Australia	\$ 40,016	100.0
CIBC Finanz AG	Zurich, Switzerland	\$ 2,723	100.0
CIBC Finanziaria S.p.A. Holding company for: CIBC Euroleasing S.p.A.	Milan, Italy	\$ 5,643	100.0
CIBC Holdings (Cayman) Limited Holding company for: Canadian Imperial Bank of Commerce Trust Company (Bahamas) Limited Canadian Imperial Fund Managers (Cayman) Limited CIBC Bank and Trust Company (Cayman) Limited CIBC (Hong Kong) Limited CIBC Serviços Ltda. CIBC Bank and Trust Company (Channel Islands) Limited CIBC Trust Company (Channel Islands) Limited CIBC Management Services (Guernsey) Limited CEF New Asia Company Limited (25%) CEF Holdings Limited (50%)	Grand Cayman, Cayman Islands	\$ 24,311	100.0

Note:

(1) Book value of voting shares of subsidiaries is shown at cost and that of associated corporations (20 to 50 per cent owned companies) is shown at equity.

Name	Address of Head or Principal Office	Book value ⁽¹⁾ of voting shares owned by the bank (\$ thousands)	Per cent of issued and outstanding voting shares owned by the bank
CIBC Holdings GmbH Holding company for: Canadian Imperial Bank of Commerce (Deutschland) AG M&A Consult GmbH (75%)	Frankfurt, Germany	\$ 3,845	100.0
CIBC Insurance (Barbados) Limited	Bridgetown, Barbados	\$ 3,000	100.0
CIBC Jamaica Limited Holding company for: CIBC Trust Jamaica Limited	Kingston, Jamaica	\$ 805	55.2
CIBC Trust (Barbados) Limited	Bridgetown, Barbados	\$ 212	100.0
CIBC (U.K.) Holdings Limited Holding company for: CIBC Corporate Finance Limited CIBC Finance plc CIBC International Trust Limited CIBC Investment Management Limited CIBC Limited CIBC Mortgages plc CIBC Services Limited CIBC Unit Trust Managers plc	London, England	\$397,946	100.0
Bank of Commerce Trinidad and Tobago Limited	Port of Spain, Trinidad	\$ 12,908	48.4
Ciclad Investissements S.A.	Neuilly Cedex, France	\$ 3,513	10.2

Note:

(1) Book value of voting shares of subsidiaries is shown at cost and that of associated corporations (20 to 50 per cent owned companies) is shown at equity.

» Management’s Discussion and Analysis of Operating Results and Financial Condition

Operating Results

	1988	1989	1990
Net income (\$ millions)	\$ 591	\$ 450	\$ 802
Net income applicable to common shares (\$ millions)	\$ 547	\$ 395	\$ 709
Earnings per common share (dollars)	\$3.34	\$2.28	\$4.03
Return on assets	0.65%	0.46%	0.74%
Return on common equity	14.5 %	9.3 %	15.8 %

Overview of 1990 and 1989 Results

CIBC’s net income for the year ended October 31, 1990, was \$802 million, a substantial increase of \$352 million over 1989 net income.

Last year’s results included an additional loan loss provision of \$538 million (\$310 million after tax) which increased total general country risk provisions to 100 per cent of loans to designated lesser developed countries (LDCs), except Mexico. The Mexican debt has been converted to government bonds backed by U.S. Treasury securities. Our actions in 1989 ensured that the LDC problem is behind us and our current objective is to maximize the recovery of the LDC debt through sales and swaps.

Other factors contributing to the improved 1990 net income were higher net interest income resulting from growth in average assets, continued expansion in other income and \$126 million (\$72 million after tax) recovered on the sale of fully provisioned LDC loans. These favorable factors were partially offset by increases in non-LDC loan losses and non-interest expenses as well as losses incurred by our investment dealer, Wood Gundy. Our share of Wood Gundy’s 1990 losses amounted to \$58 million, which included costs related to the acquisition and integration of Merrill Lynch’s retail business in Canada as well as costs associated with the restructuring of operations.

Turning now to 1989, net income was \$450 million, a decrease of \$141 million from 1988, mainly the result of the increase in LDC loan loss provisions referred to earlier. Outside of the LDC provisions, CIBC recorded a strong performance in 1989. The buoyant consumer loan and mortgage markets and lower level of non-performing loans were responsible for increases in net interest income and margins. The growth in fees and credit card business contributed to an improvement in income from non-interest sources. Wood Gundy’s contribution to our operating results in 1989 was a small profit.

A perspective on the economic environment is given on the facing page. Any realistic outlook for economic conditions in North America and some other parts of the world, for the immediate future, must consider the prospects of a deteriorating business environment. Clearly, financial institutions would be affected by such an environment, as would their customers and clients. The result of an extended recession on business in general would be an increase in bankruptcies which would reflect in higher loan losses recorded by financial institutions. Such periods could also result in interest rate volatility, impacting growth in net interest income.

Under these economic conditions, CIBC’s approach will be to exercise caution in our business plans and to ensure that our corporate governance is maintained at the highest level. We are entering 1991 with an emphasis on cost control. Nevertheless, we believe that there may be opportunities for strengthening our organization. At a time when many financial institutions around the world are experiencing severe difficulties, our financial condition is stronger than ever. The quality of our asset portfolio, the broad base of deposits, the strength of our capital and last, but not least, the commitment of our people, put us in a position to face the future with confidence.

A Perspective on the Economic Environment

Over the past year, the economic and political fabric of the world has undergone its most fundamental transformation since World War II. The Iron Curtain dividing Europe has been torn down. Democratic political systems are emerging which will create an opportunity for market forces to shape viable economic systems. As well, and to a greater extent than ever, countries are recognizing that increased access to global markets is a key to long-term prosperity. This change in attitude is reflected in Western Europe's move toward economic unity by 1992. In North America, heightened awareness of the need to expand into larger markets was apparent in the move by Canada and the United States to negotiate a free trade agreement, and more recently by the interest in Mexico to enter into a similar trading relationship with the United States. While the positive effects of these developments will probably be overshadowed by more immediate concerns, they will undoubtedly create significant opportunities in the future.

By early 1990 there was increasing evidence that the world economy was slowing. Although initially this was more clearly discernible in North America and the United Kingdom, by mid-1990, continental Europe and Japan, as well as other Asian economies began to show signs of weakening. Inflation, frequently a concern toward the end of a period of sustained growth, was increasing, prompting monetary authorities to adopt a more restrictive policy stance. Partly as a result of this tightening, the prospects for consumer spending and business investment were expected to be quite limited throughout 1990.

In the United States, overall economic activity was relatively weak in the first half of 1990, reflecting slower consumer spending and a pullback in business investment. Despite the weak economy, inflation remained a serious problem, with the core rate of inflation (excluding food and energy), averaging 4.8 per cent year-over-year in the second quarter. In the third quarter, the Iraqi invasion of Kuwait, which triggered a sharp escalation in oil prices and a buildup of U.S. troops in the Persian Gulf, overshadowed the outlook for the U.S. economy. Initial reaction to the higher oil prices sent consumer confidence to an eight year low, intensified financial market volatility and caused a sharp increase in inflation.

Looking ahead to 1991, the damage to the U.S. economy resulting from higher oil prices, in terms of both inflation and faltering consumer and investor confidence, will continue until there is a resolution to the Middle East crisis. Indeed, it appears likely that recent developments will push the U.S. economy into a recession in the early part of the new year. In the first half of 1991, assuming a resolution of the Persian Gulf crisis and lower oil prices, reduced inflationary pressures and slow growth should bring about lower interest rates, setting the stage for a recovery during the second half of the year.

Turning to Canada, through 1990, the monetary authorities, attempting to reduce inflationary pressures, continued to maintain a more restrictive policy stance than was the case in the United States. While this policy has resulted in a slightly lower rate of inflation in Canada than in the United States, it has also been responsible for a more pronounced slowing of consumer spending and investment. As well, it has contributed to an appreciation in the Canadian dollar vis-à-vis the U.S. dollar, adversely affecting the growth of exports. Probably the hardest hit sectors of the economy were housing and manufacturing. By the middle of the year, it was apparent to many observers that the Canadian economy had entered a recession.

The easing in monetary policy by the Bank of Canada since July of 1990 and the resultant decline in short-term interest rates should have had a positive impact on economic activity. Unfortunately, the effect of this stimulus was offset by the uncertainty caused by the surge in oil prices as a result of the Middle East crisis. In addition, sharply slower U.S. growth contributed to the weakening in Canada's performance in the latter part of 1990.

In 1991, the economic prospects for Canada appear quite limited, particularly in Ontario, and there is a definite possibility that the economic recession, which appears to have started in the spring of 1990, could persist into the first half of the new year. Faced with a surge in retail prices stemming from the imposition of the Goods and Services Tax (GST), together with the continued impact of higher oil prices, the monetary authorities are likely to avoid any significant easing of monetary policy until inflation shows clear signs of moderating. However, Canadian rates, particularly long-term rates, could track corresponding U.S. rates downward. At the same time, the large federal deficit precludes the use of fiscal policy to provide significant stimulus to the economy. During the first half of 1991, all sectors of the economy are expected to be weak.

Once the impact of the GST has diminished and oil prices have fallen back from the high levels reached in the fall of 1990, the effect of the slowdown in overall demand should cause inflation to decline. In response to this decline, monetary policy should ease further, triggering a decrease in interest rates which should lead to a recovery in economic growth in the latter part of 1991.

Although the prospects for Europe and Japan are brighter than those for North America, the world economic climate generally has not been as uncertain since 1981. Looking ahead, although we do not at present envision a recession as severe or as prolonged as that which occurred in 1982, the economic environment will remain quite difficult throughout the first half of 1991.

Interest Income

by major asset category, taxable equivalent basis

\$ millions	1988		1989		1990	
Canadian mortgage loans	\$1,676	20%	\$ 2,096	21%	\$ 2,598	22%
Canadian personal loans	1,432	17	1,802	18	2,111	18
Canadian business loans	2,036	25	2,702	27	3,022	26
Other loans	1,891	23	1,986	19	2,304	20
Securities	733	9	1,066	10	1,198	10
Deposits with banks	499	6	520	5	484	4
	\$8,267	100%	\$10,172	100%	\$11,717	100%

Interest Income

by location, taxable equivalent basis

\$ millions	1988		1989		1990	
Canada	\$6,097	74%	\$ 7,792	77%	\$ 8,917	76%
United States	972	12	971	9	980	8
Europe	645	8	770	8	1,125	10
Asia and Pacific	294	3	357	3	479	4
Other countries	259	3	282	3	216	2
	\$8,267	100%	\$10,172	100%	\$11,717	100%

Interest Income

CIBC's interest income is derived from earning assets such as mortgages, personal and business loans, securities and deposits with banks. For discussion and comparative purposes, interest income is reported on a taxable equivalent basis, that is, certain tax-exempt income is converted to an equivalent pre-tax amount so that measurement of all income is on a comparable basis (see page 50, Annual Perspective, note 2).

During 1989 and through most of 1990, the mortgage and personal loan markets continued to expand rapidly as growth in interest income from these combined sources exceeded 20 per cent in both years. Canadian business loans also showed good growth in 1990, contributing an increase of \$320 million to interest income. Other loans, mainly business loans outside Canada, showed an increase of 16 per cent in interest income over 1989, augmented by the purchase during the year of approximately \$700 million in high quality media and communications loans from the Bank of New England. In the latter part of 1990, the Canadian consumer loan market experienced some softness mainly due to the high cost of borrowing and the threat of a recession in the economy. In contrast to consumer lending, business loan demand continued strong for the whole year.

Securities and deposits with banks were also important contributors to interest income. The increase in interest income from securities came from both higher volumes and better yields on our portfolio. Income from deposits with banks moved marginally higher in 1989 then declined in 1990 as a result of initiatives to reduce the level of these low-yielding assets.

The majority of CIBC's interest income is earned in Canada, with substantial amounts also earned in the United States and Europe. The 1990 increase in Europe is mainly in the United Kingdom.

Interest income on non-performing loans was considerably down in 1990 compared with the previous two years. In 1988 and 1989 significant amounts of interest were received on non-performing Brazilian loans, whereas a nominal amount was received in 1990. The remaining decrease in 1990 reflected interest recovery from one non-performing loan which accounted for \$35 million of the 1989 interest recorded on non-performing business loans, while one other loan accounted for \$54 million of the 1988 recoveries. We do not anticipate any significant receipts of interest from the non-performing LDCs in the near future.

Interest Recorded as Income on Non-Performing Loans

\$ millions	1988	1989	1990
Interest on non-performing loans (net of reversals)			
Business loans and other	\$ 62	\$ 36	\$ 1
Consumer plans and Visa	2	2	-
Renegotiated reduced rate loans	3	2	1
Canada	67	40	2
Brazil	122	120	1
Other countries	11	9	11
Outside Canada	133	129	12
	\$ 200	\$ 169	\$ 14
Average non-performing loans (net of applicable provisions)			
Canada	\$1,305	\$ 576	\$544
Outside Canada	482	455	269
	\$1,787	\$1,031	\$813
Yield on non-performing loans			
Canada	5.1%	6.9%	0.3%
Outside Canada	27.6	28.5	4.4
	11.2%	16.4%	1.7%

Net Interest Income and Margin

Net interest income includes interest and dividends earned on assets less interest paid on deposits and debentures. For the year ended October 31, 1990, net interest income on a taxable equivalent basis was \$3.1 billion, an increase of \$77 million over 1989.

Net interest margin is net interest income (taxable equivalent basis) expressed as a percentage of average assets. Net

interest margin declined in 1990 to 2.86 per cent. The reduction in net interest margin is consistent with the experience of the financial services industry in general. In the case of CIBC, the major causes for the reduction included the impact of higher interest rates, the shift by depositors to higher-yielding accounts and increased use of wholesale funding, as well as reduced interest receipts from non-performing loans.

Average Balance Sheet, Net Interest Income and Margin
taxable equivalent basis

\$ millions	Average balance			Interest			Average rate		
	1988	1989	1990	1988	1989	1990	1988	1989	1990
Assets									
Earning assets									
Deposits with other banks									
– booked in Canada	\$ 3,438	\$ 3,000	\$ 2,077	\$ 255	\$ 230	\$ 167	7.42%	7.67%	8.04%
– booked outside Canada	3,245	3,263	3,511	244	290	317	7.52	8.89	9.03
Securities									
– booked in Canada	5,959	7,060	7,208	527	814	861	8.84	11.53	11.95
– booked outside Canada	1,946	2,364	2,971	206	252	337	10.59	10.66	11.34
Loans									
– booked in Canada	48,484	53,161	59,109	5,299	6,734	7,862	10.93	12.67	13.30
– booked outside Canada	17,333	15,324	18,532	1,736	1,852	2,173	10.02	12.09	11.73
Total earning assets	80,405	84,172	93,408	8,267	10,172	11,717	10.28	12.08	12.54
Other assets	10,927	13,214	14,983	–	–	–	–	–	–
Total assets	\$91,332	\$97,386	\$108,391	\$8,267	\$10,172	\$11,717	9.05%	10.45%	10.81%
Liabilities									
Interest-bearing liabilities									
Demand deposits									
– booked in Canada	\$ 5,795	\$ 5,771	\$ 5,791	\$ 125	\$ 180	\$ 208	2.16%	3.12%	3.59%
– booked outside Canada	407	400	695	5	12	50	1.23	3.00	7.19
Notice and term deposits									
– booked in Canada	46,418	50,762	56,965	3,465	4,678	5,716	7.46	9.22	10.03
– booked outside Canada	21,342	19,036	22,399	1,771	1,950	2,388	8.30	10.24	10.66
Total deposits	73,962	75,969	85,850	5,366	6,820	8,362	7.73	8.98	9.74
Bank debentures	1,498	1,827	1,768	138	161	150	9.21	8.81	8.48
Other interest-bearing liabilities	1,014	1,341	763	72	164	101	–	–	–
Total interest-bearing liabilities	76,474	79,137	88,381	5,576	7,145	8,613	7.29	9.03	9.75
Other liabilities	10,493	13,421	14,553	–	–	–	–	–	–
Shareholders' equity	4,365	4,828	5,457	–	–	–	–	–	–
Total liabilities	\$91,332	\$97,386	\$108,391	\$5,576	\$ 7,145	\$ 8,613	6.10%	7.34%	7.95%
Net interest income/margin				\$2,691	\$ 3,027	\$ 3,104	2.95%	3.11%	2.86%

Changes in Net Interest Income

taxable equivalent basis

\$ millions

	1989 compared with 1988			1990 compared with 1989		
	Increase (decrease) due to change in:		Total change	Increase (decrease) due to change in:		Total change
	Average balance	Average rate		Average balance	Average rate	
Earning assets						
Deposits with other banks	\$ (33)	\$ 54	\$ 21	\$ (58)	\$ 22	\$ (36)
Securities	155	178	333	88	44	132
Loans	295	1,256	1,551	1,177	272	1,449
Total earning assets	\$ 417	\$ 1,488	\$ 1,905	\$1,207	\$ 338	\$ 1,545
Interest-bearing liabilities						
Demand deposits	\$ 1	\$ (63)	\$ (62)	\$ (10)	\$ (56)	\$ (66)
Notice and term deposits	(162)	(1,230)	(1,392)	(953)	(523)	(1,476)
Total deposits	(161)	(1,293)	(1,454)	(963)	(579)	(1,542)
Bank debentures	(29)	6	(23)	5	6	11
Other interest-bearing liabilities	(28)	(64)	(92)	76	(13)	63
Total interest-bearing liabilities	\$(218)	\$(1,351)	\$(1,569)	\$ (882)	\$(586)	\$(1,468)
Change in net interest income	\$ 199	\$ 137	\$ 336	\$ 325	\$(248)	\$ 77

As can be seen in the above table, lower interest margins in 1990 reduced net interest income by \$248 million, substantially offsetting the positive impact of asset growth.

In 1989, net interest income grew by \$336 million or 12 per cent over the previous year. Net interest margin also improved from 2.95 per cent in 1988 to 3.11 per cent in 1989. The increase in CIBC's net interest income in 1989 came from both higher volumes and improved net interest margins to the extent of \$199 million and \$137 million, respectively.

CIBC is positioned to benefit, in a limited way, if interest rates move downward in 1991. Actual net interest margin, however, could be affected by the uncertainty surrounding the economic environment, particularly in North America. As well, difficult business conditions could impact the level of non-performing loans which also affects net interest margins.

Provision for Loan Losses

\$ millions	1988	1989	1990
Mortgages in Canada	\$ —	\$ —	\$ 3
Personal loans to Canadians	81	112	171
	81	112	174
Canadian businesses:			
Trades and services	34	99	96
Manufacturing	33	10	25
Construction and development	26	1	(3)
Real estate operators	—	(3)	2
Agriculture	34	20	10
Natural resources	(112)	16	2
Transportation and communications	2	3	2
Other	1	7	8
	18	153	142
Outside Canada (excluding LDCs):			
United States	55	18	44
Other countries	36	30	20
	91	48	64
Total provision before loans to LDCs	190	313	380
Loans to designated countries	303	662	(126)
Total provision for loan losses	\$493	\$975	\$254

Provision for Loan Losses

The total provision for loan losses was \$254 million in fiscal 1990, \$721 million below the 1989 amount. In 1990, however, losses were net of \$126 million recovered from the sale of LDC loans, while in 1989 loan losses included LDC provisions of \$662 million, consisting of \$124 million loss on the sale of loans and \$538 million of additional provisions as discussed earlier in the Overview. Before LDC provisions, loan losses amounted

to \$380 million, 21 per cent higher than the losses sustained in 1989. Deteriorating economic conditions contributed to the increase in the 1990 loss experience, with personal loans to Canadians and business loans in the United States particularly affected.

In 1989, loan losses on CIBC's credit business (excluding LDCs), amounted to \$313 million, an increase of \$123 million over 1988. However, if the recovery of \$124 million on one loan in 1988 is excluded, 1989 losses were essentially unchanged year-over-year.

Losses on personal loans to Canadians increased by 53 per cent in 1990 following a 38 per cent increase in 1989. Personal loans are all lending made to individuals, usually to finance consumables and durable goods, excluding mortgage financing, and including credit card receivables. The effects of the weakened Canadian economy have hit retail lending particularly hard, resulting in an increase in delinquency and default rates. This situation is being monitored closely to ensure that losses will be kept to a minimum.

Losses on our Canadian business loan portfolio in 1990 were lower than in 1989 by \$11 million. Lower losses were experienced particularly in the agriculture and natural resources sectors. Loss provisions and direct write-offs in the trades and services sector were also slightly lower in 1990. The overall credit quality of the loan portfolio remains strong; losses on Canadian businesses in 1990 were only 0.6 per cent of total business loans in Canada compared with a ratio of 0.7 per cent for 1989.

Excluding the LDCs, our losses in international lending increased by 33 per cent to \$64 million in 1990. The increase occurred in the United States where losses of \$44 million represented a significant increase over the relatively favorable performance in 1989. However, the 1989 loss amount reflected a substantial recovery on one loan. Losses from loans in other countries declined in 1990, following a similar decline in 1989.

The outlook for the future is dependent on the severity of the current recession.

Other Income

\$ millions	1988	1989	1990
Service charges	\$272	\$ 294	\$ 334
Commissions on securities transactions	104	206	226
Loan fees	174	196	200
Foreign exchange, bullion and swap trading	167	187	236
Visa	111	134	148
Other	145	185	231
	\$973	\$1,202	\$1,375

Other Income

by location \$ millions	1988	1989	1990
Canada	\$806	\$1,005	\$1,167
United States	97	90	91
Europe	34	51	44
Asia and Pacific	15	12	21
Other countries	21	44	52
	\$973	\$1,202	\$1,375

Other Income

Other income is an increasingly important source of revenue to CIBC. In 1990, other income increased by 14 per cent to \$1.4 billion. The main components of other income are summarized in the first table above.

Service charges flow from financial services rendered with respect to CIBC’s business and personal deposit accounts. Revenue from service charges rose 14 per cent in 1990 to \$334 million, following eight per cent growth in 1989. Increased usage of automated banking machines (ABMs), generally higher transaction volumes and increases in service charge rates contributed to the 1990 growth. CIBC increased its ABM network by 515 to 1,914 machines during 1990, following the addition of 412 units in 1989.

Commissions on securities transactions rose in 1990, despite softness in the retail and institutional sectors of the equity markets, principally due to the acquisition by Wood Gundy of

Merrill Lynch’s Canadian retail business in January 1990. Wood Gundy has been an important source of other revenue since its acquisition in June 1988. Wood Gundy contributed \$186 million in 1989 and \$204 million in 1990 to other income, mainly through commissions.

Loan fees in 1990, at \$200 million, were flat year-over-year, following a 13 per cent increase in 1989. The level of loan fees in 1990 was affected by the reduction in the number of mergers and acquisitions commencing in late 1989. In contrast, corporations continued to find bankers’ acceptances an attractive funding source in 1990 and the growth in associated fees helped to offset the decline in other loan fees. As well, our services relating to letters of credit and guarantees to facilitate domestic and international trade and commerce were in great demand.

Substantial continued growth in revenue from the retail and wholesale trading of foreign currencies together with increased revenues from bullion and financial futures trading contributed to the improvement in foreign exchange income in 1990.

Visa includes both merchant discount revenue and user transaction and annual fees. This income rose 10 per cent in 1990 after a 21 per cent growth in 1989. Some moderation in retail credit demand was experienced in late 1990. Merchant discount revenue contributes the majority of CIBC’s Visa income.

Other items of non-interest income comprise fees earned on mortgage services, funds transfer, computer services such as payroll accounting, and other commercial services. Income from most of these revenue sources increased during both 1989 and 1990.

As can be seen in the second table above, most of our income from non-interest sources is earned in Canada where CIBC is one of the major providers of retail and commercial financial services and products. Other income earned outside Canada is a smaller, but still important, portion of the total and reflects the global availability of CIBC financial services.

Despite the present depressed Canadian economy and a high interest rate environment, we see continued growth in CIBC’s other income, albeit at a slower rate. Initiatives are under way to improve on the already high standards of financial services we provide and to develop innovative fee-based services not widely available in the North American markets.

Non-Interest Expenses

\$ millions	1988	1989	1990
Personnel	\$1,221	\$1,433	\$1,625
Computer	141	167	218
Premises and equipment	189	246	314
Business and property taxes	88	97	119
Communications and travel	109	123	138
Other expenses	317	396	434
	\$2,065	\$2,462	\$2,848

Non-Interest Expenses

All operating costs of CIBC except for interest expense, loan loss provisions and income taxes are charged as non-interest expenses to the income statement.

Non-interest expenses rose 16 per cent in 1990 to \$2.8 billion. Expenses related to the Merrill Lynch Canadian retail business acquired in January accounted for approximately \$50 million of the year-over-year increase. Non-interest expenses in 1990 also included costs of \$27 million associated with the restructuring of Wood Gundy and the integration of the Merrill Lynch retail business.

Personnel related costs comprised 57 per cent of total non-interest expenses in 1990. Personnel costs rose 13 per cent in 1990 compared with 17 per cent in 1989. Primary factors accounting for the 1990 increase were higher benefit costs, including the new health tax in Ontario, and extended hours in our branches. Personnel costs in 1990 also included severance costs associated with the restructuring of the Wood Gundy operations. The large increase in personnel costs in 1989 included the full year effect of Wood Gundy operations compared with four months in 1988.

Increases in our computer, and premises and equipment expenses reflect our commitment to technology. Computer

costs include data processing services, software and communication facilities as well as rental and depreciation of computer equipment including ABMs, but exclude related personnel costs. A heavy investment was made in communication lines in 1990 to ensure the continuation of the highest level of service to our customers. In addition, in the past year, we have significantly expanded our computer facilities in Ontario and Quebec, and acquired a new computer site in Mississauga, Ontario, which will be fully operational in 1993. Costs in 1989 and 1990 were also impacted by significant increases in the number of ABMs.

Premises and equipment costs rose 27 per cent in 1990 mainly due to increases in rental of branch and office premises together with increased maintenance and repair costs, which reflect upgrades to our branch facilities and technology initiatives. Expenses in 1990 included the costs associated with retail brokerage branch closures following the restructuring of Wood Gundy and the integration of the Merrill Lynch retail business.

Business taxes include primarily capital and place of business taxes. The rapid escalation in these costs, particularly in capital taxes, represents the imposition of a disproportionate burden on financial institutions by certain provincial governments in Canada. The introduction of the GST plus the full year impact of changes in capital and other business taxes primarily in Alberta and Ontario will continue to exert upward cost pressures in 1991.

Other expenses include advertising, stationery, employee training, federal deposit insurance premiums and professional fees. In total, these costs increased by 10 per cent in 1990 over 1989. The increase in other expenses in 1989 over 1988 resulted from significant growth in both advertising and employee training, as well as certain non-recurring costs totalling \$25 million.

The cost-management programs introduced in 1989 have been broadened and intensified during 1990. These initiatives will continue in 1991.

Taxes

\$ millions	1988	1989	1990
Income taxes			
Provision for income taxes	\$436	\$249	\$ 513
Taxable equivalent adjustment (1)	82	90	87
	518	339	600
Indirect taxes			
Free funds to government (2)	103	136	143
Deposit insurance premiums	34	36	40
Capital taxes	36	37	51
Municipal taxes	52	60	68
Payroll taxes (employer portion)	54	63	82
Sales taxes	40	59	62
	319	391	446
Total taxes	\$837	\$730	\$1,046
Statutory income tax rate	47.1%	42.2%	42.4%
Income tax provision as a percentage of pre-tax net income (effective income tax rate)	42.5%	35.4%	39.7%
On a taxable equivalent basis, income tax as a percentage of net income	46.8%	42.8%	43.6%
On a taxable equivalent basis, total taxes as a percentage of net income before deduction of any taxes	59.4%	63.3%	58.4%

- Notes:
- (1) See page 50, Annual Perspective, note 2.
- (2) Canadian banks and other financial institutions hold substantial amounts of cash. In addition, Canadian banks are required to maintain interest-free deposits with the Bank of Canada as part of their primary reserves. Both the cash and the deposits represent cost-free funding for the government. The cost to the bank of providing these funds was determined using the average monthly 30-day Treasury bill rate for the year.

Taxes

The substantial decrease in the combined federal and provincial statutory income tax rate from 1988 to 1989 reflects the full effect of the corporate tax rate reductions arising from Phase I of the 1987 tax reforms. The 1990 combined statutory income tax rate rose by 0.2 per cent because of increased provincial taxes.

One of the major factors influencing the bank's effective income tax rate is the proportion of tax-exempt income included in the year's net income before taxes. In 1990 and

1988, these proportions were significantly lower than in 1989 resulting in higher effective income tax rates for those two years. Another significant factor impacting the effective income tax rate in 1990 was the lower statutory income tax rates applicable to foreign subsidiaries. In addition, no tax benefit was recorded for the Wood Gundy losses, resulting in an increase in the effective income tax rate of 2.9 per cent in 1990 over 1989.

For the reasons referred to on page 50, in note 2 to the Annual Perspective, CIBC measures its "true" income tax burden as a percentage of taxable equivalent net income (see table). The annual variation between this rate and the statutory income tax rate is mainly due to the tax treatment of capital gains and losses, and the varying tax rates applicable to subsidiaries.

The significant increase in indirect taxes in 1990 resulted from new or higher provincial taxes. CIBC is now subject to "health" taxes imposed by Ontario and Newfoundland, and Ontario's Commercial Concentration Levy. Although the escalating capital tax expense is attributable in part to the growth in the taxable base arising from new share issues and earnings, the principal contributing factor to the growth is the increase in the rates of tax imposed by three provinces and by the introduction of a capital tax on financial institutions by Alberta.

The increase in indirect taxes from 1988 to 1989 was due in part to a full year consolidation of the Wood Gundy results in 1989 and from sales taxes on increased expenditures.

For the first time, CIBC's total direct and indirect tax burden in 1990 exceeded \$1 billion. We see continued growth in this tax burden next year. The federal Goods and Services Tax will add significantly to the tax costs of financial institutions as only a small portion of the GST paid by this industry on its purchases of goods and services will be recoverable as input credits. It has to be recognized also that the cost to CIBC will be not only the amount of its GST expense, but the additional costs in administering this tax.

The federal and provincial governments have made changes in the last three years which have increased the current income tax payments of financial institutions. In the context of this trend in income taxes, it is perhaps fitting to quote from a Department of Finance press release dated September 6, 1990: "The impact of tax reform is already being felt...The large banks which under the previous system had paid low levels of tax, paid over \$1 billion of federal income taxes in 1989." The provinces will have realized in excess of \$500 million from these same reforms in 1989. The provinces have also made substantial gains from financial institutions through capital and other taxes. With a total tax burden approaching 60 per cent, we believe the tax system is not serving the long-term interests of Canadians.

Risk Management

The business of banking inherently involves risk, in particular financial risk, which is the exposure to potential financial loss. Such risk can arise from credit, liquidity, interest rate or foreign exchange exposures. Risk management policies are developed to control and co-ordinate the asset and liability sides of the balance sheet, manage off balance sheet exposure and minimize any adverse financial effects.

Risk management policies are established by the Risk Management and Conduct Review Committee comprising bank directors who are not officers of CIBC. The purpose of these policies is to manage and control credit risk and to ensure asset quality, especially that of the loan portfolio.

Policies directing the management of the three other primary types of risk – liquidity, interest rate and foreign exchange – are established by CIBC’s Asset Liability Committee made up of senior executive management. These policies are, in turn, reviewed and approved by the Risk Management and Conduct Review Committee. In combination with sound overall corporate management, these policies help protect customers’ deposits and shareholders’ equity. The risk management policies are implemented and managed through extensive participation in the domestic and international financial markets. Profit opportunities are actively pursued within policy guidelines.

The four primary types of risk are described in the following pages, along with a brief explanation of the bank’s policies on managing them.

CIBC is moving towards consolidation of the risk management function in order to more effectively segregate risk authorization from risk origination.

Credit Risk Management

Credit risk arises when there is reliance on a counterparty to honor or perform contractual obligations completely. In terms of a loan, the prime credit risk is the possibility that the customer may be unable or unwilling to repay the principal amount borrowed, in whole or in part, or honor interest payments when due.

Credit Process

The lending process of CIBC and its administration is tightly controlled through a management organization which reflects accountability within delineated areas of responsibility. Lending authority emanates from the Board of Directors to the Chief Executive Officer and then to the President of the Corporate Bank who is accountable for CIBC’s overall credit portfolio. Lending authority is further delegated by the President to the presidents of Individual Bank and Investment Bank, and the Executive Vice-President, Credit, all of whom can also delegate to other senior credit officers.

Limits are set for all delegated lending authorities with control imposed on overall country and industry limits. Credits exceeding delegated limits are approved centrally by the Corporate Bank, while credits in excess of \$75 million (in Canadian or U.S. currency) are processed through a credit committee of senior officers and the Board of Directors.

CIBC has a group of specialists who work in concert with local officers in countries where we do business. These specialists are supported by a team of international economists who keep track of regional and country-specific economies and business conditions. Each country has a formula-based comparative rating which is approved by a committee of senior officers and used in the bank’s worldwide credit and lending process.

CIBC’s credit process also covers ongoing monitoring of all lending situations, including procedures for overdue or non-performing accounts. The process imposes a disciplined approach to risk and reward, and the bank provides computer-based loan management techniques, formal risk rating and credit scoring, to enable lending officers to better assess risks and serve CIBC’s customers.

The foregoing credit process applies generally to all corporate and commercial lending, and investment banking business. In retail and consumer lending, the credit process requires different techniques because of the large number of customers and smaller amounts involved. Though credit approval and delinquencies are controlled on an individual basis, the quality of the retail and consumer lending portfolio requires supplementary techniques. These methods provide credit management with actuarial and statistical information on doubtful accounts, delinquencies and write-offs of the overall portfolio for remedial action. In addition, such information, together with that on markets served by CIBC, is used by management to improve the credit process and standards in retail and consumer lending.

Geographic Distribution of Major Assets in all Currencies

by location of ultimate risk and after deduction of specific provisions for losses

\$ millions, as at September 30:		1988		1989		1990
Canada	\$67,280	70.5%	\$ 74,290	72.5%	\$ 82,519	71.6%
United States	11,401	12.0	10,285	10.0	10,957	9.5
United Kingdom	3,881	4.1	4,741	4.6	6,651	5.8
France	721	0.8	509	0.5	567	0.5
Other European Community countries	1,260	1.3	1,021	1.0	1,156	1.0
Other European countries	482	0.5	374	0.4	652	0.5
Europe	6,344	6.7	6,645	6.5	9,026	7.8
Brazil	815	0.9	789	0.8	607	0.5
Mexico	702	0.7	621	0.6	460 ⁽¹⁾	0.4
Other Latin American countries	714	0.7	325	0.3	114	0.1
Caribbean	973	1.0	1,184	1.2	1,108	1.0
Latin America and Caribbean	3,204	3.3	2,919	2.9	2,289	2.0
Japan	1,685	1.8	1,753	1.7	2,312	2.0
Other Asian countries	976	1.0	1,004	1.0	1,560	1.4
Australia	1,389	1.4	1,848	1.8	2,240	1.9
Other Pacific countries	267	0.3	192	0.2	137	0.1
Asia and Pacific	4,317	4.5	4,797	4.7	6,249	5.4
Middle East and Africa	120	0.1	55	0.1	24	–
General country risk provisions ⁽²⁾	(980)	(1.0)	(1,313)	(1.3)	(692)	(0.6)
Major assets	91,686	96.1	97,678	95.4	110,372	95.7
Other items	3,702	3.9	4,724	4.6	4,953	4.3
Total assets at September 30	\$95,388	100.0%	\$102,402	100.0%	\$115,325	100.0%
Total assets at September 30	\$95,388		\$102,402		\$115,325	
Net change in October	(700)		(2,189)		(1,129)	
Total assets at October 31	\$94,688		\$100,213		\$114,196	
Of which, Canadian currency	\$65,628	69.3%	\$ 71,985	71.8%	\$ 79,910	70.0%
foreign currencies	\$29,060	30.7%	\$ 28,228	28.2%	\$ 34,286	30.0%

Notes:

(1) Consists of Mexican government bonds secured by U.S. Treasury securities with a par value of \$476 million, carried at \$372 million, and \$88 million of bankers' acceptances issued for short-term credit.

(2) The general country risk provisions are against loans of a basket of 43 (1989:42) lesser developed countries designated by the Superintendent of Financial Institutions as experiencing debt-servicing difficulties.

Distribution of Major Assets by Level of Country Development

based on World Bank classifications and after deduction of specific provisions for losses

\$ millions, as at September 30:		1988		1989		1990
Industrialized countries	\$88,307	96.3%	\$94,953	97.2%	\$107,154	97.1%
Developing countries:						
High income	1,498	1.7	1,559	1.6	1,971	1.8
Upper middle income	2,372	2.6	1,520	1.5	1,037	0.9
Middle income	375	0.4	847	0.9	815	0.7
Low income	22	–	11	–	14	–
Centrally planned countries	92	0.1	101	0.1	73	0.1
General country risk provisions	(980)	(1.1)	(1,313)	(1.3)	(692)	(0.6)
Major assets	\$91,686	100.0%	\$97,678	100.0%	\$110,372	100.0%

Diversification of Assets

CIBC applies the principles of risk diversification in its lending business. To conform with these principles and to ensure credit quality and profitability, the bank's assets are widely distributed throughout the world in terms of economic, geographic and industry sectors. Concentration of assets in any one sector or lending to any one borrower is limited and controlled. A discussion on the diversification of loans by geographic and industry sectors is given on page 36.

The global distribution of assets is also a reflection of the business CIBC conducts in all the major financial centres of the world. Our customers and clients are provided with a wide variety of financial services and products ranging from residential mortgages to loan syndications.

The accompanying tables disclose the geographic distribution of major assets of CIBC in all currencies, based on the location of ultimate risk and by level of country development. Countries where major assets exceed 0.75 per cent of total major assets are identified. Major assets consist of loans including mortgages, securities, deposits with other banks, customers' liability under acceptances and cash, after deduction of specific provisions for losses.

The industrialized countries of North America, Europe, Asia and the Pacific contain over 97 per cent of CIBC's major assets. The balance of the risk is located in developing countries, including the designated lesser developed countries. Major assets in Canada are mostly denominated in Canadian dollars while major assets in other countries are denominated in foreign currencies, predominantly the U.S. dollar.

Country Lending

CIBC makes available cross-border credits to individuals, businesses, governments and other institutions in industrialized and developing countries as part of our efforts to support and facilitate international trade and commerce. Such cross-border credits are made in currencies other than the local currency of a borrower or guarantor and are repayable in such foreign currencies to the bank. The ability of a country to repay cross-border credits is a risk to the bank. The country may lack foreign exchange reserves to service its cross-border borrowings on a timely basis and hence default on its loans. Our credit policy in global trade and business requires that there is constant review and continuous monitoring of international political, economic and social factors. Our prudent credit policy is to support worthy trade credits and other cross-border transactions which meet CIBC's credit standards.

The Superintendent of Financial Institutions, in recognition of the risks in country lending, has designated a basket of 43 lesser developed countries (LDCs) as experiencing debt-servicing difficulties and requiring mandatory provisions for losses. By the end of fiscal 1990, CIBC's LDC debt other than Mexico was reduced to seven countries and amounted to \$692 million, all of which carried 100 per cent provisions. The fully provisioned LDC debt includes \$607 million related to Brazil.

During 1988 and 1990, the Mexican loans were exchanged for Mexican government bonds which are secured by U.S. Treasury securities. The Mexican bonds are carried at U.S. \$319 million (Cdn. \$372 million) and represent CIBC's net exposure to the LDCs. The par value of these bonds is U.S. \$408 million (Cdn. \$476 million).

With the LDC problem behind us, CIBC will continue to maximize recovery of the fully provisioned LDC debt through a full range of options which includes outright sales, debt-for-equity swaps and debt-for-debt swaps.

Liquidity Risk Management

Liquidity management is undertaken to ensure that sufficient cash is available to service customer needs and meet other obligations of the bank. This prime responsibility is carried out by monitoring the expected inflows and outflows of funds and by managing sources of funding giving regard to stability and diversification. Policies directing the level of liquidity, as well as the diversification and term structure of funding sources, are established by the Asset Liability Committee. Liquidity is maintained at a level that balances the benefit of having short-term assets available to meet cash requirements with the lower yields normally available on these short-term investments.

Divergences between inflows and outflows of funds are controlled through a variety of safeguards. A degree of liquidity is provided by the primary and secondary reserves required by the Bank of Canada. During fiscal 1990, CIBC's holding, at the parent bank level, of primary reserves in cash and deposits with the Bank of Canada, averaged \$1.1 billion. Concurrently, secondary reserves, which are maintained principally through holdings of Government of Canada Treasury bills, averaged \$1.0 billion. In addition, CIBC Mortgage Corporation maintains substantial reserves.

CIBC's large base of Canadian dollar retail deposits of \$45.1 billion at October 31, 1990, provides a secure source of funding. This firmly established source means there is reduced pressure on cash flows and the resulting favorable liquidity position is maintained with less reliance on costly domestic money markets.

CIBC also maintains a readily encashable portfolio of Canadian dollar and foreign currency securities. Of a total securities portfolio of \$10.4 billion at October 31, 1990, \$6.3 billion had a maturity of under one year. In addition to providing liquidity in the major currencies, this portfolio generates significant income through the bank's active participation in global securities markets. The bank's day-to-day cash position in each currency is managed locally and in aggregate, in accordance with policies established by the Asset Liability Committee.

Particular emphasis is placed on diversifying funding sources and maintaining deposits with other banks. CIBC has built a broad funding base by diversifying and varying the currencies, markets and maturities of deposits. For example, in the United States, the bank's commercial paper program is one of the largest of any foreign bank, complementing other sources of funding. Also, by enhancing and expanding the range of products, CIBC is able to attract deposits worldwide. The bank also extends the maturity of funding by issuing debentures and other long-term debt.

Interbank deposits facilitate liquidity management and assist the bank in obtaining funds from the interbank Eurodollar deposit markets. At October 31, 1990, CIBC had over \$5.0 billion on deposit with other banks and deposits by banks with CIBC amounted to \$11.0 billion.

Foreign Exchange Risk Management

Foreign exchange risk arises because the bank has assets and liabilities in a wide range of currencies. Unless the level of assets and liabilities in each currency is essentially matched, there is a risk that a movement in exchange rates may have an adverse financial impact. The bank manages this risk within policy limits set by the Asset Liability Committee, so that changes in exchange rates are not expected to have a material effect on net income.

Interest Rate Risk Positions

\$ billions, as at October 31, 1990:	Within 3 months	3 to 12 months	Total 1 year	Over 1 year	Non- interest sensitive	Total
Canadian currency						
Assets	\$ 32.9	\$15.8	\$48.7	\$18.0	\$13.2	\$79.9
Liabilities	39.6	12.7	52.3	9.3	18.3	79.9
Gap	(6.7)	3.1	(3.6)	8.7	(5.1)	0.0
Foreign currency						
Assets	22.1	6.7	28.8	3.3	2.2	34.3
Liabilities	26.1	4.0	30.1	1.6	2.6	34.3
Gap	(4.0)	2.7	(1.3)	1.7	(0.4)	0.0
Total gap	\$(10.7)	\$ 5.8	\$(4.9)	\$10.4	\$(5.5)	\$ 0.0
Total one-year gap as a percentage of total assets			(4.3)%			

\$ billions, as at October 31, 1989:

Total gap	\$ (5.8)	\$ 3.1	\$(2.7)	\$ 7.9	\$(5.2)	\$ 0.0
Total one-year gap as a percentage of total assets			(2.7)%			

\$ billions, as at October 31, 1988:

Total gap	\$ (4.0)	\$ 3.5	\$(0.5)	\$ 5.2	\$(4.7)	\$ 0.0
Total one-year gap as a percentage of total assets			(0.5)%			

Note:
The figures presented above include off balance sheet risk management transactions such as interest rate swaps, futures and forward rate agreements.

Interest Rate Risk Management

The difference in the maturities or repricing dates of the bank's assets and liabilities creates what is known as the interest rate gap and is the cause of interest rate risk. When market interest rates change, the difference between the maturities of an asset and a liability means one will reprice sooner than the other. For example, the origination and funding of mortgages is one of the major sources of interest rate risk for CIBC. In a rising interest rate environment, if an interest-bearing deposit has a shorter maturity than an outstanding mortgage loan, higher interest will be paid on the deposit before the mortgage is renewed at a new, higher rate. Conversely, when assets have a shorter average maturity than liabilities, the bank will begin receiving the new rates on its assets before it begins paying higher interest on its liabilities. The extent of the impact on earnings depends on the size of interest rate changes and the maturity profile of both assets and liabilities.

Interest rate risk policy is established by the Asset Liability Committee to ensure that earnings and the long-term value of equity are protected, while allowing for selective profit-making

opportunities. Forecasts of risk positions and economic indicators are reviewed regularly by this committee and used to develop interest rate risk management strategies. The total one-year gap in 1990, as shown in the above table, is deliberately larger than last year's. Similarly, the 1989 one-year gap had been managed to a higher level than in 1988. In 1988 and prior years, CIBC raised long-term funds while rates were relatively low. This action allowed the bank to manage its total one-year gaps in both 1989 and 1990 without the need to raise long-term funds when rates were high, relying instead on new short-term funding. CIBC is now effectively positioned to benefit from a drop in interest rates, albeit in a limited way, to ensure that we are only moderately exposed if interest rates rise. Similarly, future gaps will be managed on the basis of prevailing and anticipated levels of interest rates, while still containing the gap within risk policy limits.

Policies established by the Asset Liability Committee are used by local management to control operations in the money market centres around the world.

Financial Condition

As at October 31, 1990, total assets of CIBC amounted to \$114.2 billion, an increase of \$14.0 billion over the previous year. This increase in total assets has been funded through increases in deposits, preferred shares, debentures and internally generated funds.

The strong financial condition of CIBC is reflected in the quality of its assets, the soundness of its deposit base and the strength of its capital position. CIBC's strength has been enhanced by prudent risk management policies intended to protect depositors and shareholders against adverse changes in economic conditions.

The next two years will likely see CIBC's recent rate of growth in assets being somewhat tempered. Our financial services operations around the world and in Canada have been in various stages of consolidation to fit into our business strategies of the 1990s. Asset growth will come from the expansion of our North American consumer and corporate lending business. At the consumer front, strategies to make CIBC the leading financial retailer in Canada are in place and in some respects we are already the leader.

The following sections will discuss changes in our major categories of assets and liabilities. Previous sections have described in more detail our risk management policies and practices, and our operating results.

Loans

CIBC's consolidated loan portfolio at October 31, 1990, stood at \$83.3 billion, an increase of \$10.8 billion or 15 per cent from a year ago. The annual growth rate in 1989 was eight per cent or \$5.2 billion over 1988.

The main contribution to domestic growth during 1990 came from mortgages which increased by 16 per cent, compared with growth of nearly 17 per cent in 1989. Our Canadian mortgage portfolio continued to expand during 1990 although at a slower pace in the later months as the downturn in real estate values and activity took effect. Portfolio growth was maintained through aggressive marketing programs used to promote CIBC Mortgage Corporation's products.

Our lending to Canadians for personal purposes, mainly to finance consumables, increased eight per cent both in 1989 and 1990. There was no change in the growth rate, year-over-year, mainly because of continued high interest rates and the anticipation of an economic recession. With no economic growth in the last two quarters of 1990, we do not expect our personal loan portfolio to show rapid growth next year.

Loans to Canadian businesses grew seven per cent in 1990 compared with five per cent in the previous year. Most sectors experienced growth. In particular, the manufacturing, the construction and development, the natural resources, and the transportation and communications sectors showed strong increases during 1990.

The higher borrowing in most sectors reflects the increased use of existing credit lines and bankers' acceptances by major clients to supplement their normal direct sources of financing. It also reflects increased borrowing requirements which are typical in this phase of a recession.

CIBC was very active in the international scene in 1990. Excluding the minimal LDC exposure, the bank's loans to foreign customers expanded by 34 per cent compared with seven per cent in 1989. Substantial growth was experienced in corporate lending in the U.S. and the U.K., and in our U.K. mortgage portfolio. Business loans to U.S. companies increased by 25 per cent, including approximately \$700 million in high quality loans with favorable interest rate spreads acquired from the Bank of New England Corporation during the year. These loans, predominantly to the U.S. media and communications industry, have contributed well to earnings in 1990 and are expected to continue to do so in the future.

Loan Portfolio

net of provisions

\$ millions, as at October 31:	1988	1989	1990
Mortgages in Canada	\$17,684	\$20,610	\$23,902
Personal loans to Canadians	12,329	13,298	14,370
	30,013	33,908	38,272
Loans to Canadian businesses:			
Trades and services	8,610	8,802	8,725
Manufacturing	3,598	3,660	4,217
Construction and development	2,365	3,239	3,799
Real estate operators	799	878	979
Agriculture	2,196	1,912	1,891
Natural resources	1,842	1,741	1,957
Transportation and communications	1,096	1,221	1,378
Other	1,651	1,779	1,800
	22,157	23,232	24,746
Loans and mortgages outside Canada (excluding LDCs):			
United States	8,400	7,653	9,580
Europe	3,124	4,240	6,839
Other countries	2,683	3,308	3,894
	14,207	15,201	20,313
Loans to designated countries	910	191	-
	\$67,287	\$72,532	\$83,331
Of which, Canadian currency	\$48,186	\$53,830	\$59,047
foreign currencies	\$19,101	\$18,702	\$24,284

Our U.K. mortgage portfolio amounted to \$2.5 billion at October 31, 1990, compared with \$1.6 billion a year ago. As announced, we are currently pursuing the sale of our mortgage operations in the U.K.

At the end of 1990, real estate related lending in Canada, other than mortgages, totalled \$4.8 billion, an increase of \$661 million over the previous year. Outside Canada, such lending totalled \$3.7 billion (1989: \$3.4 billion). In addition, our bankers' acceptances portfolio included, both in 1989 and 1990, approxi-

mately \$1 billion in real estate related acceptances. Certain events in the global financial sector over the past year have cast a shadow on real estate lending. It is pertinent to record that CIBC's real estate portfolio is seasoned, well-balanced and diversified, not only by customer but also geographically. Our policy to avoid speculative real estate deals in the past has served the bank in good stead and we are well positioned to avoid any serious damage in a deteriorating market.

A small part of our global banking business involves loans to companies with leverage that is higher than industry norms. These loans provide better returns than normal commercial loans, including higher interest rates and fees to compensate for the increased risk. CIBC continues to be extremely selective about highly leveraged lending and will only consider such loans on a senior debt basis. The objective is to earn fee income from arranging the loan rather than benefiting from the interest income stream and to spread the risk by syndicating the loan to other financial institutions, reducing the bank's exposure to a small proportion on each transaction. With the continuation of depressed markets for other than the highest grade securities, the relatively high cost of borrowing and a general economic slowdown, certain highly leveraged borrowers have experienced difficulty in servicing, reducing or refinancing their debts. We have always been aware of the risk of an economic recession and its effects on this portion of our lending portfolio. Mainly due to our strict lending policies and credit control, the need for provisions for losses on these loans has been low during 1989 and 1990 and we do not anticipate any significant changes to this situation in 1991. At the end of 1990, we had approximately \$1.8 billion (1.6 per cent of total assets) of loans in this category distributed among 83 separate customers. This amount is substantially reduced from \$2.6 billion or 2.6 per cent of total assets at the end of 1989.

Should Canadian government fiscal policy continue to keep interest rates at or near present levels and if the North American economy goes into an even deeper recession, there is a possibility of a shakeout in marginally profitable and cyclical industry segments. The resultant conditions could well have adverse effects on the asset quality of some financial institutions. We believe that CIBC is relatively well-positioned to weather any such event.

Non-Performing Loans

after deduction of general country risk provisions

\$ millions, as at October 31:			1988			1989			1990		
	Gross amount	Specific provisions	Net total	Gross amount	Specific provisions	Net total	Gross amount	Specific provisions	Net total		
Non-accrual personal loans:											
Consumer plans, Visa and mortgage loans	\$ 118	\$ 77	\$ 41	\$ 119	\$ 83	\$ 36	\$ 173	\$113	\$ 60		
Other personal loans	48	6	42	40	4	36	66	11	55		
	166	83	83	159	87	72	239	124	115		
Non-accrual Canadian business loans:											
Trades and services	120	36	84	236	98	138	177	44	133		
Manufacturing	135	25	110	112	21	91	95	21	74		
Construction and development	113	33	80	69	19	50	54	11	43		
Real estate operators	60	43	17	27	2	25	24	1	23		
Agriculture	181	33	148	127	28	99	104	21	83		
Natural resources	36	9	27	40	17	23	35	6	29		
Transportation and communications	44	4	40	52	29	23	44	27	17		
Other	20	16	4	21	14	7	19	7	12		
	709	199	510	684	228	456	552	138	414		
Non-accrual loans outside Canada (excluding LDCs):											
United States	205	19	186	235	29	206	250	5	245		
Europe	3	3	—	24	23	1	62	6	56		
Latin America	14	3	11	7	2	5	9	3	6		
Asia and Pacific	43	23	20	66	35	31	38	9	29		
	265	48	217	332	89	243	359	23	336		
Non-accrual loans to designated countries, net of provisions											
	196	—	196	—	—	—	—	—	—		
Total non-accrual loans	1,336	330	1,006	1,175	404	771	1,150	285	865		
Renegotiated reduced rate loans	24	—	24	7	—	7	7	—	7		
	\$1,360	\$330	\$1,030	\$1,182	\$404	\$778	\$1,157	\$285	\$872		
Net non-performing loans as a percentage of total loans and acceptances											
			1.4%			1.0%			0.9%		

Non-Performing Loans

Non-performing loans comprise non-accrual loans and renegotiated reduced rate loans. Renegotiated reduced rate loans are those loans in excess of one-tenth of one per cent of bank shareholders' equity where, due to the weakened financial condition of the borrower, the terms have been modified to provide for an interest rate reduction.

The above table summarizes CIBC's non-performing loans (after deduction of general country risk provisions) by industry sector and country grouping.

At the end of 1990, net non-performing loans stood at \$872 million, an increase of \$94 million or 12 per cent over 1989. The

increase is mainly attributed to the effects of the economic downturn. At the end of 1989, non-performing loans were \$778 million, a 24 per cent reduction from the 1988 level. This improved condition was caused by the full provision of LDC loans and a reduction in non-performing loans in Canada, partially offset by an increase in other foreign non-performing loans.

Net non-accrual personal loans increased by 60 per cent during 1990. We do not expect much relief until economic conditions improve. As discussed under Credit Process on page 31, CIBC's credit management techniques are intended to minimize any harmful economic effects on our lending portfolio.

Non-performing loans in the Canadian business sectors have shown a decreasing trend over the last two years. In 1990, the level of such loans, net of provisions, was reduced by nine per cent or \$42 million. While the trades and services sector showed some deterioration in 1989 over 1988, the amount, net of provisions, has remained relatively flat in 1990.

In the United States, which represents almost half of our foreign lending exposure, the level of non-accrual loans net of provisions increased by 19 per cent during 1990. Although we have some exposure in the U.S. real estate market, there were no classifications to non-performing status of real estate loans of any consequence during 1990. In Europe, the level of non-accrual loans was higher, reflecting the high interest rate and difficult economic environment, particularly in the United Kingdom.

CIBC's non-performing loans as a percentage of total loans and acceptances has now levelled off at 0.9 per cent following a significant decline in 1989. Our credit policies and process are constantly being improved and strengthened to keep abreast of the changing business environment.

Securities

\$ millions, as at October 31:	1988	1989	1990
Securities issued by federal, provincial and municipal governments	\$3,519	\$2,561	\$ 3,595
Debt securities	2,024	1,831	2,806
Equity securities	1,465	1,369	1,587
Investment portfolio	7,008	5,761	7,988
Trading portfolio	2,762	3,862	2,414
Total carrying value	\$9,770	\$9,623	\$10,402
Total market value	\$9,766	\$9,672	\$10,293

Securities

At October 31, 1990, securities held for investment and trading purposes totalled \$10.4 billion, an increase of \$779 million or eight per cent from a year ago.

Securities are held for investment purposes partly to facilitate CIBC's asset liability management programs. Positions are also taken in equity and debt investments as part of the normal lending process and for strategic business reasons.

In 1990, CIBC's income from securities included \$12 million of net gains from sales of securities held for investment purposes; 1989 income from such sales included \$58 million in net gains.

Securities in the trading portfolio are held for the short-term and are used, principally, for CIBC's liquidity risk management programs and to position the bank to take advantage of interest rate movements. Both uses are an important part of the asset liability management process. A discussion on liquidity risk management is given on page 34.

The money market trading portfolios of CIBC and Wood Gundy were integrated in 1990 in order to enhance market share and reduce operating costs. The money market portfolio includes short-term debt instruments such as Treasury bills, commercial paper and bankers' acceptances.

As at October 31, 1990, our securities portfolio included Mexican government bonds, collateralized by U.S. Treasury securities, with a carrying value of U.S. \$319 million (Cdn. \$372 million). The par value of these bonds is U.S. \$408 million (Cdn. \$476 million).

Deposits

\$ millions, as at October 31:	1988	1989	1990
Canadian currency deposits by:			
Individuals	\$34,916	\$40,060	\$45,113
Others	15,164	15,316	15,905
	50,080	55,376	61,018
Foreign currency deposits by:			
Banks	7,991	8,773	9,747
Individuals	1,905	2,046	2,421
Corporations and others	12,611	12,677	16,924
	22,507	23,496	29,092
	\$72,587	\$78,872	\$90,110

Deposits

The major source of deposits for CIBC is the individual customer in Canada, reflecting our extensive branch network and ongoing commitment to serve the needs of the individual. This large, stable base of core deposits minimizes liquidity risk and represents a major strength of the bank. At the end of 1990, the number of deposit accounts at CIBC totalled over 7.5 million in Canada.

Individuals contributed an increasing share of Canadian dollar deposits in 1989 and 1990 as aggressive service quality endeavors and marketing campaigns gave CIBC a greater share of the growing Canadian retail deposit market. The introduction of the 14-month and other "off-term" Guaranteed Investment Certificates contributed to retail deposit growth in 1990. RRSP sales and market share were also higher in the year, benefiting from good promotion and a service campaign which featured extended branch hours. The trend to higher-cost

deposit products has partly offset the benefits of deposit growth.

Other sources of Canadian dollar and foreign currency deposits include corporations, banks and other non-personal customers. The bank supplements retail deposits by issuing wholesale deposit instruments in domestic and international capital markets to meet the needs for funds in specific currencies and maturities. CIBC is very conscious of the need to manage its borrowing carefully in the wholesale markets to ensure continued receptivity and to avoid deposit concentration.

CIBC's broad deposit base covers a wide range of customers, currencies, terms, provinces and countries. The policies of deposit diversification and avoidance of concentration are in accordance with our risk management principles and ensure that customers' confidence is maintained for their deposits entrusted with CIBC. Further supporting this assurance is the fact that CIBC is a member of the Canada Deposit Insurance Corporation which provides automatic insurance on insurable deposits up to a maximum of \$60,000 per eligible depositor.

Looking forward, we see continued growth in retail deposits in Canada moderated somewhat by an increase in the use of deposit substitutes (such as mutual funds). However, other deposits, mainly from banks and corporations in foreign currencies, will probably record little or no growth reflecting little anticipated expansion in foreign currency assets. CIBC will continue its efforts to improve service quality, develop additional attractive products and use innovative promotions. Initiatives will include informative marketing techniques, user-friendly branch services and environment with longer customer banking hours, more automated banking and teller machines, use of debit cards, and telephone/personal computer banking. All these actions are aimed at providing the individual customer with quality service.

Capital

Capital is the foundation for CIBC’s ongoing activities. It provides assurance of stability and protects the bank’s depositors and creditors by underpinning the various risks to which CIBC is exposed in the normal course of business. A solid capital base contributes to favorable credit ratings, and enables CIBC to undertake strategic initiatives and take advantage of opportunities as they arise.

Capital strength may be judged according to measures set out by the Bank for International Settlements (BIS). Under the BIS guidelines, total regulatory capital is divided into two tiers. Tier 1 capital consists primarily of common shareholders’ equity and non-cumulative preferred shares. Tier 2 capital consists of subordinated debentures and cumulative preferred shares. There are some restrictions on the total amount eligible as Tier 2 capital, which are not expected to be a constraint for CIBC. The capital position of CIBC is set out in the table below.

Regulatory Capital and Capital Ratios

\$ millions, as at October 31:	1988	1989	1990
Tier 1 capital			
Common shares	\$ 1,977	\$ 2,058	\$ 2,168
Retained earnings	2,031	2,187	2,651
Non-cumulative preferred shares	—	—	450
Minority interests	52	61	21
Goodwill	—	—	(36)
	4,060	4,306	5,254
Tier 2 capital			
Cumulative preferred shares	600	600	600
Long-term debentures	674	645	642
Other debentures, net of amortization	841	935	1,384
Investments in associated corporations	(43)	(30)	(120)
	2,072	2,150	2,506
Total capital	\$ 6,132	\$ 6,456	\$ 7,760
Risk weighted:			
Balance sheet assets	\$67,847	\$74,702	\$83,266
Off balance sheet items	15,010	16,534	15,091
	\$82,857	\$91,236	\$98,357
Risk-based capital ratios			
Tier 1 capital	4.9%	4.7%	5.3%
Tier 2 capital	2.5	2.4	2.6
Total capital ratio	7.4%	7.1%	7.9%
Leverage ratio (1)	16.5×	16.7×	15.7×

Note:

(1) In addition to meeting minimum risk weighted capital ratios, the bank cannot exceed a leverage ratio of 20 times capital (calculated by dividing total assets, including letters of credit, guarantees, asset sales with recourse and repurchase agreements by total regulatory capital), as stipulated by the Superintendent of Financial Institutions.

CIBC increased its Tier 1 capital significantly in 1990, with \$464 million from internal generation, \$110 million from the Shareholder Investment Plan and \$450 million from the issue of non-cumulative preferred shares. In accordance with BIS guidelines, the bank began to deduct a portion of its goodwill from the calculation of Tier 1 capital in 1990. New debenture issues of \$364 million and foreign exchange adjustments for debentures denominated in foreign currencies contributed \$449 million to Tier 2 capital. Investments in associated corporations increased by \$90 million to \$120 million in 1990.

Participation in the bank’s Shareholder Investment Plan and continued earnings strength, together with moderate growth in risk weighted assets are expected to result in a further increase in our Tier 1 capital ratio in 1991. Further debenture capital issues are contemplated in the bank’s plans as management has set internal targets for capital ratios which are somewhat higher than the BIS minimum standards. In this regard, CIBC expects to continue its approach of raising capital when markets are receptive and pricing is favorable.

The bank benefits from sources of strength not reflected in the figures. These include significant unrecognized capital in the form of an unrecorded property value surplus, estimated to be \$1.3 billion.

CIBC’s 1990 year end risk-based capital ratios exceeded the 1990 interim BIS standard of 7.25 per cent for total capital and 3.625 per cent for Tier 1 capital. In fact, the bank has already exceeded the 1992 minimum of four per cent for Tier 1 capital, and we are confident that the 1992 final BIS minimum total capital ratio target of eight per cent will be comfortably attained.

CIBC will be seeking approval from its shareholders to remove the restrictions on the number of preferred and common shares that it can issue and to increase the maximum consideration for which such shares can be issued. Approval will also be required from the Minister of Finance. The increase in authorized levels will give the bank appropriate flexibility to manage its capital structure and to respond to opportunities that may arise in the market place.

Off Balance Sheet Activities

As discussed in note 17 to the financial statements on page 16, off balance sheet activities fall into two broad categories: credit related arrangements, and foreign exchange and interest rate related contracts. These items, which are not reported in the consolidated statement of assets and liabilities, are summarized in the first table below and represent obligations to perform but do not necessarily reflect the economic risks associated with the transactions.

In the second table below, the off balance sheet items are risk weighted for regulatory capital adequacy purposes and give an indication of CIBC's off balance sheet exposure to risk. Each type of contract or arrangement will limit or give rise to varying degrees and types of risk such as credit, interest rate, foreign exchange and liquidity risk. Certain of the foreign exchange and interest rate transactions are undertaken by CIBC to reduce the exposure of assets, liabilities and off balance sheet items to foreign exchange and interest rate risk.

Off Balance Sheet Items

\$ billions, as at October 31:	1988	1989	1990
Credit related arrangements	\$ 70.6	\$ 75.4	\$ 72.9
Foreign exchange and interest rate related contracts	123.3	137.7	247.6
	\$193.9	\$213.1	\$320.5

Risk Weighted Off Balance Sheet Items

\$ billions, as at October 31:	1988	1989	1990
Credit related arrangements	\$13.8	\$15.3	\$13.4
Foreign exchange and interest rate related contracts	1.2	1.2	1.7
	\$15.0	\$16.5	\$15.1

Descriptions of certain financial terms used are given in the two following pages.

In 1990, CIBC had a significant increase in fee revenue from credit related arrangements, such as guarantees, letters of credit and lines of credit. However, the volume of transactions declined slightly, a result of the bank's greater emphasis on fees for these services prompted by the BIS capital standards requiring capital to be held against certain off balance sheet items. Conversely, the level of outstanding foreign exchange and interest rate related contracts has seen considerable growth in 1990, primarily a result of CIBC's determined efforts to acquire a greater share of this business.

Changes in Financial Regulations

In September 1990, Canadian legislation affecting the powers, domestic ownership and corporate governance matters of trust and loan companies was introduced in Parliament. While it is the general view that many of the provisions in the Trust and Loan Companies Bill will be included in amendments to be made to the upcoming Bank Act and Insurance Act, it is premature to assess the effect, if any, on CIBC until such legislation specific to banks has been introduced.

CIBC
Toronto, Canada
December 6, 1990

» Description of Terms

Certain terms used in note 17 to the financial statements on page 16 and in the preceding discussion on Off Balance Sheet Activities are described in the following short glossary.

Credit Related Arrangements

The following arrangements are subject to Credit Risk – that is, exposure to loss when the counterparty to a transaction does not perform as agreed.

Guarantees and Standby Letters of Credit are undertakings given by the bank on behalf of a customer, subject to certain conditions. Provided the conditions are satisfied, the bank guarantees payment if the customer is unable to meet the obligation as specified. In almost all instances, customers meet their obligations and the bank is only at risk when a customer defaults and a third party demands payment.

Letters of Credit are short-term instruments used to facilitate international trade, typically on behalf of an importer, and allow a third party, such as an exporter, to draw drafts on the bank up to a specified amount, subject to specific terms and conditions. These instruments effectively guarantee that the third party receives payment and the bank is at risk for any drafts drawn that are not ultimately settled by the customer.

Lines of Credit are undrawn lending facilities that have been approved by the bank to meet the business requirements of customers. The majority of such commitments are of a general nature with annual review provisions and/or various pre-draw conditions. A limited number provide for drawdown over an extended period of time; these commitments are considered binding arrangements. In practice, many of these commitments will remain undrawn. The credit risk in undrawn lending facilities arises from a possibility that a commitment will be drawn down as a loan. Therefore, a lending commitment is subject to the same credit review process as a loan.

Note Issuance and Revolving Underwriting Facilities are financial arrangements to allow customers to issue short-term notes, typically of three to six months' maturity, up to a prescribed limit, over an extended period of time. If the notes cannot be sold at a pre-determined price, the bank may buy them or guarantee an extension of credit. The bank's obligation is called upon only if the notes remain unsold.

Foreign Exchange and Interest Rate Related Contracts

The foreign exchange and interest rate contracts described below are potentially subject to both credit risk and market risk.

Credit Risk, described previously, is inherent in these contracts. The exposure depends upon the extent to which market rates have moved and also the direction of movement. Where matched or offset contracts exist, any movement will tend to be favorable for one counterparty and unfavorable for the other. Accordingly, only half the outstanding contracts will tend to be a source of credit risk at any time. The bank would suffer a loss only in the infrequent event that there is both a movement in rates unfavorable to the customer and an inability of the customer to honor the obligation to the bank.

Market Risk is the exposure resulting from fluctuations in interest rates and foreign exchange rates. As a general rule, CIBC operates under the principle of matching or offsetting such contracts. Where the bank maintains trading positions, the risks are managed through strict currency and term controls.

Foreign Exchange Spot and Forward Contracts are transactions in which a foreign currency is purchased or sold for delivery, currently, in the case of a spot contract, or at a specified future date or within a fixed period, for a forward contract. The rate of exchange is established at the outset. These contracts are undertaken to protect customers against future fluctuations in the relative values of currencies and for the bank's own account to protect against currency fluctuations and to earn income by trading in foreign currencies. In general, the bank matches its total buy and sell contracts except where specific trading positions, usually short-term, are taken. The exposure is calculated by a "mark to market" procedure which measures the gain or loss based on changes in market rates, both on individual contracts and on a portfolio basis.

Foreign Currency and Interest Rate Futures are standardized contractual obligations to make or take delivery of specified quantities of a foreign currency or financial instrument on specified future dates, at a price established on a financial

exchange. These contracts differ from forward contracts in that they are in standard amounts with standard delivery dates and can be traded at any time in the market. They are used to service customer needs and for the bank's own account and are managed in a similar manner to forward contracts. However, settlement is made through the financial exchange and the risk is that of the exchange defaulting rather than the counterparty.

Forward Rate Agreements are contracts that effectively fix a future interest rate. The agreement provides that, at a predetermined future date, a cash settlement will be made between the parties for the difference between the contracted rate of interest and a specified current market rate, based on an agreed notional principal amount. No exchange of principal amount takes place and the risk exposure depends upon both the non-performance of the counterparty and an unfavorable future movement in interest rates.

Foreign Currency and Interest Rate Options are contracts in which the right, but not the obligation, is acquired by the option purchaser from the option writer in consideration of an option premium, either to buy (a call option) or sell (a put option) on or within a specified time, a stipulated amount of foreign currency or a financial instrument at a stated price. The exposure depends on subsequent variations in exchange or interest rates. Certain options are also exchange traded, and in these situations margins are maintained to protect against default, further reducing the credit risk. The additional liquidity provided by an exchange also helps reduce the risk. A buyer of options is subject to credit risk

by relying on the counterparty, the option writer, to perform. A writer of options is subject to market risk.

Interest Rate Swaps are financial transactions in which two counterparties exchange interest rate flows over a period of time on a notional principal amount. For example, one party pays a fixed interest rate and the other pays a variable rate based on an accepted index. The bank enters into such transactions on behalf of customers to service their business needs, for its own account to manage interest rate exposures and as an intermediary between other parties to earn fee income. For the most part, the bank operates on the principle of matching such contracts with offsetting agreements, with limits placed on both the volume and maturities of such contracts. Exposure is measured and controlled both on principal amounts and by marking to market all contracts. A variation of the above is a cross currency swap, where the principal and related interest in one currency are exchanged for principal and interest in another currency.

Foreign Currency Swaps are transactions in which a foreign currency is simultaneously purchased in the spot and sold in the forward market, or vice versa. The contracted exchange rates may be identical or different, depending upon the terms of the contract and the needs of the counterparties. The purpose is to protect against movements in exchange rates over a period of time. CIBC enters into such contracts both for customers and for its own account. Exposures are measured and controlled in a similar manner as with interest rate swaps.

» Quarterly Highlights

For the quarter	1989				1990			
	Q1	Q2	Q3	Q4 ⁽¹⁾	Q1	Q2	Q3	Q4
Condensed Consolidated Statement of Income								
\$ millions								
Interest income ⁽²⁾ (taxable equivalent basis)	\$2,398	\$2,460	\$2,621	\$2,693	\$2,780	\$2,807	\$3,038	\$3,092
Interest expense ⁽³⁾	1,611	1,725	1,887	1,922	1,996	2,060	2,257	2,300
Net interest income (taxable equivalent basis)	787	735	734	771	784	747	781	792
Deduct taxable equivalent adjustment	19	32	21	18	21	19	29	18
Net interest income (consolidated statement of income basis)	768	703	713	753	763	728	752	774
Provision for loan losses ⁽¹⁾	137	109	100	629	71	53	75	55
Net interest income after loan loss provision	631	594	613	124	692	675	677	719
Other income ⁽²⁾	283	272	321	326	319	323	352	381
Net interest and other income	914	866	934	450	1,011	998	1,029	1,100
Non-interest expenses	583	586	622	671	651	714	714	769
Net income (loss) before provision for income taxes	331	280	312	(221)	360	284	315	331
Provision for (recovery of) income taxes	129	100	113	(93)	142	109	124	138
Net income (loss) before minority interests	202	180	199	(128)	218	175	191	193
Minority interests in net income (loss) of subsidiaries	—	—	4	(1)	(1)	(8)	(7)	(9)
Net income (loss)	\$ 202	\$ 180	\$ 195	\$ (127)	\$ 219	\$ 183	\$ 198	\$ 202
Dividends paid on preferred shares	\$ 13	\$ 14	\$ 14	\$ 14	\$ 18	\$ 24	\$ 26	\$ 25
Net income (loss) applicable to common shares	189	166	181	(141)	201	159	172	177
	\$ 202	\$ 180	\$ 195	\$ (127)	\$ 219	\$ 183	\$ 198	\$ 202

Financial Statistics

per Common Share

Net Income	\$ 1.10	\$ 0.96	\$ 1.04	\$ (0.82)	\$ 1.15	\$ 0.91	\$ 0.97	\$ 1.00
Dividends	0.29	0.31	0.31	0.33	0.33	0.33	0.33	0.33
Book value at end of quarter ⁽⁴⁾	\$24.16	\$24.81	\$25.54	\$24.31	\$25.13	\$25.66	\$26.25	\$26.90

Quarterly Perspective

per \$100 of average assets

Net interest income ^{(2) (5)}	\$ 3.30	\$ 3.12	\$ 2.97	\$ 3.06	\$ 3.00	\$ 2.90	\$ 2.82	\$ 2.74
Provision for loan losses	(0.57)	(0.46)	(0.40)	(2.49)	(0.27)	(0.21)	(0.27)	(0.19)
Other income ⁽²⁾	1.18	1.15	1.30	1.29	1.22	1.25	1.27	1.32
Non-interest expenses	(2.44)	(2.49)	(2.51)	(2.66)	(2.49)	(2.77)	(2.58)	(2.66)
Income taxes ⁽⁵⁾ and minority interests	(0.62)	(0.56)	(0.57)	0.30	(0.62)	(0.46)	(0.52)	(0.51)
Net income (loss) — return on assets	\$ 0.85	\$ 0.76	\$ 0.79	\$ (0.50)	\$ 0.84	\$ 0.71	\$ 0.72	\$ 0.70
Return on common equity ⁽⁶⁾	18.6%	16.2%	16.5%	(12.7)%	18.6%	14.7%	15.0%	14.9%

Notes:

(1) During 1989 Q4, an additional loan loss provision of \$538 million (\$310 million after tax) was made to increase provisions to cover 100 per cent of the debt owed by the basket of 42 LDCs then designated by the Superintendent of Financial Institutions, except Mexico. Further details are provided in the bank's 1989 Annual Report.

(2) 1990 Q1, Q2 and Q3 data re-classified.

(3) 1990 Q1 and Q2 data re-classified.

(4) Common shareholders' equity divided by the number of common shares issued and outstanding at the end of the quarter.

(5) Adjusted to taxable equivalent basis.

(6) Net income (loss) applicable to common shares divided by average common shareholders' equity for the quarter, annualized.

» Ten-Year Statistical Review

Consolidated Statement of Income

\$ millions, for the year ended October 31:	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Interest Income										
Income from loans, excluding leases	\$7,373	\$8,175	\$6,116	\$5,996	\$6,126	\$6,147	\$5,986	\$6,986	\$ 8,518	\$ 9,933
Income from lease financing	30	35	33	27	29	30	34	49	68	102
Income from securities	574	560	501	489	570	615	650	651	976	1,111
Income from deposits with banks	885	594	389	594	546	444	530	499	520	484
Total interest income, including dividends	8,862	9,364	7,039	7,106	7,271	7,236	7,200	8,185	10,082	11,630
Interest Expense										
Interest on deposits	7,338	7,687	5,215	5,321	5,208	5,025	4,824	5,366	6,820	8,362
Interest on bank debentures	53	93	108	111	116	141	133	138	161	150
Interest on liabilities other than deposits	18	16	5	3	20	15	6	72	164	101
Total interest expense	7,409	7,796	5,328	5,435	5,344	5,181	4,963	5,576	7,145	8,613
Net interest income	1,453	1,568	1,711	1,671	1,927	2,055	2,237	2,609	2,937	3,017
Provision for loan losses	168	488	722	499	550	697	546	493	975	254
Net interest income after loan loss provision	1,285	1,080	989	1,172	1,377	1,358	1,691	2,116	1,962	2,763
Other income	363	409	445	500	569	664	819	973	1,202	1,375
Net interest and other income	1,648	1,489	1,434	1,672	1,946	2,022	2,510	3,089	3,164	4,138
Non-Interest Expenses										
Salaries	670	759	753	780	842	907	980	1,126	1,322	1,487
Pension and other staff benefits	61	65	60	60	66	58	72	95	111	138
Premises and equipment expenses, including depreciation	199	224	226	234	254	273	302	363	450	573
Other expenses	233	249	255	267	300	374	439	481	579	650
Total non-interest expenses	1,163	1,297	1,294	1,341	1,462	1,612	1,793	2,065	2,462	2,848
Net income before provision for income taxes	485	192	140	331	484	410	717	1,024	702	1,290
Provision for (recovery of) income taxes	140	(12)	(6)	81	150	99	285	436	249	513
Net income before minority interests	345	204	146	250	334	311	432	588	453	777
Minority interests in net income (loss) of subsidiaries	2	5	2	2	—	—	—	(3)	3	(25)
Net income before special provision for losses	343	199	144	248	334	311	432	591	450	802
Special provision for losses (net of income taxes)	—	—	—	—	—	—	450	—	—	—
Net income (loss)	\$ 343	\$ 199	\$ 144	\$ 248	\$ 334	\$ 311	\$ (18)	\$ 591	\$ 450	\$ 802
Dividends paid on preferred shares	\$ 15	\$ 42	\$ 64	\$ 82	\$ 91	\$ 72	\$ 48	\$ 44	\$ 55	\$ 93
Net income (loss) applicable to common shares	328	157	80	166	243	239	(66)	547	395	709
	\$ 343	\$ 199	\$ 144	\$ 248	\$ 334	\$ 311	\$ (18)	\$ 591	\$ 450	\$ 802

Note:

For the purposes of this review, prior years' financial information has been restated or re-classified, where necessary, to conform with the presentation adopted in 1990 and in accordance with the provisions of the Bank Act.

Consolidated Statement of Assets and Liabilities

\$ millions, as at October 31:	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Assets										
Cash Resources										
Cash and deposits with Bank of Canada	\$ 1,735	\$ 1,501	\$ 1,536	\$ 1,214	\$ 1,648	\$ 1,181	\$ 1,253	\$ 818	\$ 1,292	\$ 1,742
Deposits with other banks	4,878	3,107	5,864	5,217	5,179	7,529	6,497	5,589	4,819	5,009
Cheques and other items in transit, net	997	723	922	175	—	430	—	288	—	—
	7,610	5,331	8,322	6,606	6,827	9,140	7,750	6,695	6,111	6,751
Securities										
Issued or guaranteed by Canada	2,876	2,338	3,698	2,597	3,896	2,920	3,629	4,035	4,022	4,042
Issued or guaranteed by provinces and municipal or school corporations	65	27	24	358	572	282	419	739	543	589
Other securities	2,050	2,401	2,302	2,644	3,214	3,744	4,362	4,997	5,058	5,771
	4,991	4,766	6,024	5,599	7,682	6,946	8,410	9,771	9,623	10,402
Loans										
Day, call and short loans to investment dealers and brokers, secured	251	575	115	730	502	108	455	631	206	365
Loans to banks	1,698	1,616	1,537	1,771	1,650	1,538	1,131	610	259	222
Mortgage loans	6,672	7,064	8,056	8,760	10,276	12,514	16,231	19,474	22,349	26,621
Other loans	40,522	44,325	39,412	39,817	43,018	43,006	45,772	46,572	49,718	56,123
	49,143	53,580	49,120	51,078	55,446	57,166	63,589	67,287	72,532	83,331
Other										
Customers' liability under acceptances	2,476	2,973	3,022	3,085	4,190	5,458	6,137	7,479	8,064	9,180
Land, buildings and equipment	622	636	635	644	670	701	798	907	1,041	1,380
Other assets	856	1,150	989	1,106	1,019	1,430	1,691	2,549	2,842	3,152
	3,954	4,759	4,646	4,835	5,879	7,589	8,626	10,935	11,947	13,712
	\$ 65,698	\$ 68,436	\$ 68,112	\$ 68,118	\$ 75,834	\$ 80,841	\$ 88,375	\$ 94,688	\$ 100,213	\$ 114,196
Liabilities										
Deposits										
Payable on demand	\$ 6,346	\$ 5,341	\$ 6,354	\$ 5,732	\$ 6,251	\$ 5,335	\$ 6,446	\$ 6,646	\$ 6,601	\$ 7,193
Payable after notice	13,640	14,981	16,495	17,025	19,215	21,859	24,067	25,281	27,971	29,473
Payable on a fixed date	38,776	39,948	37,420	36,573	39,622	40,322	41,499	40,660	44,300	53,444
	58,762	60,270	60,269	59,330	65,088	67,516	72,012	72,587	78,872	90,110
Other										
Cheques and other items in transit, net	—	—	—	—	121	—	581	—	649	517
Acceptances	2,476	2,973	3,022	3,085	4,190	5,458	6,137	7,479	8,064	9,180
Liabilities of subsidiaries, other than deposits	100	64	11	79	66	9	6	1,650	742	657
Other liabilities	1,607	1,816	1,414	1,825	1,707	2,515	3,892	6,545	5,224	5,816
Minority interests in subsidiaries	37	32	32	—	—	—	—	52	61	21
	4,220	4,885	4,479	4,989	6,084	7,982	10,616	15,726	14,740	16,191
Subordinated Debt										
Bank debentures	582	901	907	891	1,310	1,632	1,492	1,767	1,756	2,026
Shareholders' Equity										
Capital stock — preferred	300	460	597	897	897	597	600	600	600	1,050
— common	78	267	286	311	554	1,071	1,741	1,977	2,058	2,168
Contributed surplus	172	—	—	—	—	—	—	—	—	—
Retained earnings	1,584	1,653	1,574	1,700	1,901	2,043	1,914	2,031	2,187	2,651
	2,134	2,380	2,457	2,908	3,352	3,711	4,255	4,608	4,845	5,869
	\$ 65,698	\$ 68,436	\$ 68,112	\$ 68,118	\$ 75,834	\$ 80,841	\$ 88,375	\$ 94,688	\$ 100,213	\$ 114,196

Note:

For the purposes of this review, prior years' financial information has been restated or re-classified, where necessary, to conform with the presentation adopted in 1990 and in accordance with the provisions of the Bank Act.

Consolidated Statement of Changes in Shareholders' Equity

\$ millions, for the year ended October 31:	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Capital Stock										
Balances at beginning of year	\$ 78	\$ 378	\$ 727	\$ 883	\$ 1,208	\$ 1,451	\$ 1,668	\$ 2,341	\$ 2,577	\$ 2,658
Changes during the year										
– preferred shares	300	160	137	300	–	(300)	3	–	–	450
– common shares	–	17	19	25	243	517	670	236	81	110
Transfer from contributed surplus	–	172	–	–	–	–	–	–	–	–
Balances at end of year	\$ 378	\$ 727	\$ 883	\$ 1,208	\$ 1,451	\$ 1,668	\$ 2,341	\$ 2,577	\$ 2,658	\$ 3,218
Contributed Surplus										
Balance at beginning of year	\$ 169	\$ 172	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Additions from capital stock issues	3	–	–	–	–	–	–	–	–	–
Transfer to capital stock	–	(172)	–	–	–	–	–	–	–	–
Balance at end of year	\$ 172	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Retained Earnings										
Balance at beginning of year	\$1,304	\$1,584	\$1,653	\$1,574	\$ 1,700	\$1,901	\$2,043	\$1,914	\$2,031	\$2,187
Net income (loss) for the year	343	199	144	248	334	311	(18)	591	450	802
Dividends – preferred	(15)	(42)	(64)	(82)	(91)	(72)	(48)	(44)	(55)	(93)
– common	(74)	(82)	(84)	(85)	(95)	(125)	(154)	(188)	(214)	(232)
Income taxes	31	(5)	(75)	48	52	38	121	(245)	–	–
Other	(5)	(1)	–	(3)	1	(10)	(30)	3	(25)	(13)
Balance at end of year	\$1,584	\$1,653	\$1,574	\$1,700	\$1,901	\$2,043	\$1,914	\$2,031	\$2,187	\$2,651

Note:

For the purposes of this review, prior years' financial information has been restated, where necessary, to conform with the presentation adopted in 1990 and in accordance with the provisions of the Bank Act.

Financial Statistics

for the year ended October 31:	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Per common share										
Net income										
– basic ⁽²⁾	\$ 4.19	\$ 1.99	\$ 0.99	\$ 2.02	\$ 2.64	\$ 2.05	\$ 2.74	\$ 3.34	\$ 2.28	\$ 4.03
– fully diluted	3.86	1.86	0.99	1.90	2.41	1.99	2.67	3.32	2.28	4.03
Dividends	0.95	1.04	1.04	1.04	1.04	1.08	1.08	1.14	1.24	1.32
Common share price ⁽³⁾										
– high	16.063	15.813	19.875	16.188	19.813	22.000	23.625	25.875	32.500	33.625
– low	12.500	8.125	12.563	11.125	13.313	16.750	15.750	16.875	22.750	21.625
– close	14.250	12.563	15.375	13.438	19.563	19.125	17.875	25.125	31.625	22.250
Book value at year-end ⁽⁴⁾	\$22.33	\$22.93	\$22.91	\$23.59	\$23.88	\$23.16	\$21.12	\$23.35	\$24.31	\$ 26.90
\$ millions										
Average assets	\$59,752	\$68,290	\$68,147	\$68,280	\$73,308	\$79,709	\$86,241	\$91,332	\$97,386	\$108,391
Average common shareholders' equity	\$ 1,692	\$ 1,863	\$ 1,910	\$ 1,926	\$ 2,227	\$ 2,804	\$ 3,352	\$ 3,765	\$ 4,228	\$ 4,491
Average number of common shares <i>(thousands)</i>										
– basic	78,392	79,107	80,501	82,094	92,084	116,478	139,904	163,529	172,783	176,185
– fully diluted	89,197	98,848	100,234	101,821	115,913	133,613	149,489	167,605	172,783	176,185
Common share dividend	\$ 74	\$ 82	\$ 84	\$ 85	\$ 95	\$ 125	\$ 154	\$ 188	\$ 214	\$ 232

- Notes:
- (1) For the purposes of this review, prior years' financial information has been restated, where necessary, to conform with the presentation adopted in 1990 and in accordance with the provisions of the Bank Act.

(2) The special provision for LDC losses in 1987 reduced basic net income per common share to a loss of \$0.47 per share for that year.

(3) The high and low price during the year, and closing price on the last trading day of the year, on The Toronto Stock Exchange.

(4) Common shareholders' equity (including adjustment for taxes) divided by the number of common shares issued and outstanding at the end of the year.

Other Statistics

as at October 31:	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Number of common shares <i>(thousands)</i> ⁽²⁾	78,581	80,065	81,312	83,322	98,697	128,485	160,647	171,668	174,567	179,148
Number of common shareholder accounts ⁽³⁾	32,537	31,572	29,387	27,393	26,729	33,727	32,942	31,391	28,327	29,165
Number of employees	36,844	34,955	33,525	32,689	33,587	33,914	33,874	36,194	36,466	35,811
Number of branches	1,710	1,662	1,640	1,627	1,616	1,586	1,534	1,528	1,539	1,527

- Notes:
- (1) For the purposes of this review, prior years' information has been restated, where necessary, to conform with the presentation adopted in 1990 and in accordance with the provisions of the Bank Act.

(2) Adjusted to reflect the sub-division of the common shares on a two-for-one basis on January 31, 1986.

(3) Represents the number of accounts on the share register and therefore does not reflect the total number of individual shareholders.

Financial Ratios

for the year ended October 31:	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Return on assets ⁽²⁾	0.57%	0.29%	0.21%	0.36%	0.46%	0.39%	0.50%	0.65%	0.46%	0.74%
Return on common equity ^{(2) (3)}	19.4%	8.4%	4.2%	8.6%	10.9%	8.5%	11.5%	14.5%	9.3%	15.8%
Dividend yield ⁽⁴⁾	6.7%	8.7%	6.4%	7.6%	6.3%	5.6%	5.5%	5.3%	4.5%	4.8%
Dividend payout ratio ⁽⁵⁾	22.7%	52.4%	104.6%	51.6%	38.9%	52.1%	40.1%	34.3%	54.3%	32.8%
Price/Earnings ratio ⁽⁶⁾	3.4:1	6.3:1	15.5:1	6.7:1	7.4:1	9.3:1	6.5:1	7.5:1	13.9:1	5.5:1
<hr/>										
as at October 31:	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Closing common share price to book value	63.8%	54.8%	67.1%	57.0%	81.9%	82.6%	84.6%	107.6%	130.1%	82.7%
Capital funds to total assets	4.1%	4.8%	4.9%	5.6%	6.1%	6.6%	6.5%	6.7%	6.6%	6.9%
Net non-performing loans to total loans and acceptances ratio	0.8%	2.2%	3.8%	3.5%	2.8%	4.1%	3.3%	1.4%	1.0%	0.9%

Notes:

- (1) For the purposes of this review, prior years' financial information has been restated, where necessary, to conform with the presentation adopted in 1990 and in accordance with the provisions of the Bank Act.
- (2) The special provision for LDC losses in 1987 reduced return on assets to a negative (0.02)% and return on common equity to a negative (1.97)% for that year.
- (3) Net income applicable to common shares divided by average common shareholders' equity for the year.
- (4) Dividend per common share divided by the average of the high and low common share price during the year.
- (5) Total common share dividend divided by the net income applicable to common shares (for 1987, before the special provision for LDC losses) for the year.
- (6) Closing common share price expressed as a multiple of net income per common share for the year.

Annual Perspective

per \$100 of average assets

for the year ended October 31:	1981	1982	1983	1984	1985	1986	1987 ⁽³⁾	1988	1989	1990
Net interest income ⁽²⁾	\$ 2.75	\$ 2.59	\$ 2.73	\$ 2.64	\$ 2.85	\$ 2.77	\$ 2.72	\$ 2.95	\$ 3.11	\$ 2.86
Provision for loan losses	(0.28)	(0.71)	(1.06)	(0.73)	(0.75)	(0.87)	(0.63)	(0.54)	(1.00)	(0.23)
Other income	0.60	0.60	0.65	0.73	0.78	0.83	0.95	1.07	1.23	1.27
Non-interest expenses	(1.95)	(1.90)	(1.90)	(1.96)	(1.99)	(2.02)	(2.08)	(2.26)	(2.53)	(2.63)
Income taxes ⁽²⁾ and minority interests	(0.55)	(0.29)	(0.21)	(0.32)	(0.43)	(0.32)	(0.46)	(0.57)	(0.35)	(0.53)
Net income – return on assets	\$ 0.57	\$ 0.29	\$ 0.21	\$ 0.36	\$ 0.46	\$ 0.39	\$ 0.50	\$ 0.65	\$ 0.46	\$ 0.74
<hr/>										
Tax-exempt income ⁽²⁾ (\$ millions)	\$ 207.0	\$ 213.0	\$ 148.2	\$ 138.0	\$ 164.5	\$ 143.4	\$ 108.2	\$ 92.1	\$ 123.3	\$ 118.8
Tax rate ⁽²⁾	47.0%	49.6%	49.4%	49.5%	49.7%	51.1%	50.4%	47.1%	42.2%	42.4%

Notes:

- (1) For the purposes of this review, prior years' financial information has been restated or re-classified, where necessary, to conform with the presentation adopted in 1990 and in accordance with the provisions of the Bank Act.
- (2) Taxable equivalent basis – net interest income includes tax-exempt income on certain securities, primarily interest on income debentures, small business development bonds and small business bonds, and dividends on certain preferred shares of Canadian corporations. Because this income is not taxable to the bank, the rate of interest or dividend received by the bank is significantly lower than would apply to a loan of the same amount. As the impact of tax-exempt income varies from year to year as a result of fluctuations in the general level of interest rates and the size of the bank's holdings of tax-exempt securities, such income has been adjusted to a taxable equivalent basis to permit uniform measurement and comparison of net interest income. An equal and offsetting adjustment is made to increase the provision for income taxes. The taxable equivalent adjustments are based on tax-exempt income and tax rates as disclosed in the above table.
- (3) The 1987 information is before the special provision for LDC losses of \$450 million after tax.

» Shareholder and Investor Information

Dividend per share
for the year ended October 31, 1990

Preferred shares Class A

Record date	Payment date	Series 3	Dividend per preferred share				Series 8
			Series 4	Series 5	Series 6		
Nov. 29/89	Dec. 12/89	\$0.800	\$0.799				
Dec. 28/89	Jan. 29/90			\$0.5822	\$0.3822		
Dec. 29/89	Jan. 12/90	\$0.800	\$0.799				
Jan. 31/90	Feb. 12/90	\$0.800	\$0.799				
Feb. 28/90	Mar. 12/90	\$0.815	\$0.819				
Mar. 28/90	Apr. 27/90			\$0.6081	\$0.5625	\$0.4440	
Mar. 30/90	Apr. 12/90	\$0.831	\$0.843				
Apr. 30/90	May 14/90	\$0.841	\$0.851				
May 31/90	Jun. 12/90	\$0.860	\$0.873				
Jun. 28/90	Jul. 27/90			\$0.6361	\$0.5625	\$0.5550	
Jun. 29/90	Jul. 12/90	\$0.860	\$0.873				
Jul. 31/90	Aug. 13/90	\$0.860	\$0.873				
Aug. 31/90	Sep. 12/90	\$0.855	\$0.858				
Sep. 28/90	Oct. 29/90			\$0.6120	\$0.5625	\$0.5550	
Sep. 28/90	Oct. 12/90	\$0.849	\$0.833				
Oct. 31/90	Nov. 13/90	\$0.848	\$0.814				

Common shares

Record date	Payment date	Dividend per share	Number of common shares on record date
Dec. 28/89	Jan. 29/90	\$0.33	174,575,067
Mar. 28/90	Apr. 27/90	\$0.33	175,516,011
Jun. 28/90	Jul. 27/90	\$0.33	176,671,875
Sep. 28/90	Oct. 29/90	\$0.33	177,786,492

Issue Price of New Common Shares under the Shareholder Investment Plan
for the year ended October 31, 1990

Date issued	Share purchase option	Dividend reinvestment plan & stock dividend options
Dec. 1/89	\$32.330	
Jan. 2/90	\$31.687	
Jan. 29/90		\$26.927
Feb. 1/90	\$27.207	
Mar. 1/90	\$26.900	
Apr. 2/90	\$28.692	
Apr. 27/90		\$23.370
May 1/90	\$24.498	
Jun. 1/90	\$26.588	
Jul. 3/90	\$26.727	
Jul. 27/90		\$25.747
Aug. 1/90	\$27.009	
Sep. 4/90	\$24.565	
Oct. 1/90	\$22.228	
Oct. 29/90		\$21.619
Nov. 1/90	\$22.491	

Head office

Commerce Court Telephone number – (416) 980-2211
Toronto, Ontario Telex number – 065-24116
Canada M5L 1A2 Cable address – Canbank, Toronto

Stock exchange listings

Common shares

Stock symbol: CM; CUSIP No. 136069-10-1
Listed: Toronto, Montreal, Winnipeg, Alberta and
Vancouver stock exchanges in Canada
The Stock Exchange in London, England
The Tokyo Stock Exchange in Japan

Preferred shares

Class A Preferred Shares Series 3
Stock symbol: CM.PR.D; CUSIP No. 136069-50-7
Listed: The Toronto Stock Exchange

Class A Preferred Shares Series 4
Stock symbol: CM.PR.F; CUSIP No. 136069-87-9
Listed: The Toronto Stock Exchange

Class A Preferred Shares Series 5
Stock symbol: CM.PR.E; CUSIP No. 136069-88-7
Listed: Toronto, Montreal, Winnipeg, Alberta and
Vancouver stock exchanges

Class A Preferred Shares Series 6
Stock symbol: CM.PR.G; CUSIP No. 136069-86-1
Listed: Toronto, Montreal, Winnipeg, Alberta and
Vancouver stock exchanges

Class A Preferred Shares Series 8
Stock symbol: CM.PR.H; CUSIP No. 136069-85-3
Listed: Toronto, Montreal, Winnipeg, Alberta and
Vancouver stock exchanges

Transfer agent and registrar

National Trust Company
555 Wilson Avenue
Downsview, Ontario M3H 5Y6
(416) 631-5500

Outside of Canada, common shares of the bank are transferable at:

London, England: Canadian Imperial Bank of Commerce
Cottons Centre, Cottons Lane
London, SE1 2QL England
Shareholder Service Agent in Tokyo, Japan:
The Yasuda Trust and Banking Company, Limited
2-1, 1-chome, Yaesu
Chuo-ku, Tokyo 103 Japan

Valuation Day price

For Canadian income tax purposes, the common shares of the bank were quoted at \$25.75 per share on Valuation Day, December 22, 1971. This is equivalent to \$12.875 per share after adjustment for the two-for-one stock split January 31, 1986.

Plans available to shareholders

Payment of dividends

Holders of all classes of shares may have their dividends sent to their banks for deposit to their accounts.

Shareholder investment plan

Participating shareholders pay no brokerage commission or service charge on the purchase of shares and the maintenance of plan accounts, and all administrative costs of the plan are borne by the bank. Three options are available to shareholders:

Dividend reinvestment option

With the exception of residents of the United States, its territories and possessions, and Japan, all other holders of common shares and Class A Preferred Shares Series 5, Series 6 and Series 8 may have dividends reinvested in additional common shares at 95 per cent of the average market price as defined in the offering circular.

Share purchase option

Optional cash payments of up to \$50,000 per fiscal year may be made to buy additional common shares at 100 per cent of the average market price.

Stock dividend option

With the exception of residents of Japan, holders of at least 100 common shares may elect to receive dividends in the form of additional common shares (stock dividends) valued at 95 per cent of the average market price.

For further information, please write to Corporate Secretary's Division at head office.

Shareholders' meetings

The annual and special meeting of common shareholders and a special meeting of Class A preferred shareholders will be held on January 17, 1991, at 10:30 a.m. Pacific time at the Four Seasons Hotel, 791 West Georgia Street, Vancouver, British Columbia, Canada.

The meetings will be transmitted via satellite, for shareholders and other interested parties, to Commerce Hall, Commerce Court, concourse level, Toronto, with audio-visual coverage from Vancouver beginning at 1:30 p.m. local time. Shareholders will not be able to vote at this presentation in Toronto and should ensure that their proxies are completed and returned to National Trust as indicated in the Management Proxy Circular.

**Mergers and amalgamations leading to the formation of
Canadian Imperial Bank of Commerce**

The Canadian Bank of Commerce (1867) acquired:

Gore Bank-1870
Bank of British Columbia-1901
Halifax Banking Company-1903
The Merchants Bank of P.E.I.-1906
Western Bank of Canada-1909
The Eastern Townships Bank-1912
The Bank of Hamilton-1923
Sterling Bank of Canada-1924
The Standard Bank of Canada-1928

Imperial Bank of Canada (1875) acquired:

Niagara District Bank-1875
The Weyburn Security Bank-1931
Barclays Bank (Canada)-1956

and merged to become
Canadian Imperial Bank of Commerce (1961)

Further information

For further information about CIBC and its activities in Canada and abroad, please ask at any branch or call **Corporate Communications and Public Affairs** at head office, (416) 980-4132. The fax number is (416) 363-5347.

In Canada, CIBC also provides information through its national telephone service, **CIBC Contact**. In Toronto, call (416) 980-2422. Outside of Toronto, call 1-800-465-2422.

Investors requiring additional financial information on CIBC may contact **Investor Relations**. Call (416) 980-8691 or fax (416) 980-5026.

Information regarding your shareholdings or dividends may be obtained by contacting **Corporate Secretary's Division**. Call (416) 980-3857 or fax (416) 980-7012.

Sur simple demande, nous nous ferons un plaisir de vous faire parvenir la version française du présent rapport.

ご希望の方には、この年次報告書の日本語版をお送り申し上げます。

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Canadian Imperial
Bank of Commerce

Head Office
Commerce Court
Toronto, Ontario
Canada
M5L 1A2



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